

Los Angeles County
Metropolitan Transportation Authority
California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

FY18



Los Angeles County
Metropolitan Transportation Authority
Los Angeles, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

PREPARED BY THE ACCOUNTING DEPARTMENT

Nalini Ahuja, *Chief Financial Officer*
Jesse Soto, *Controller*



Table of Contents

INTRODUCTORY SECTION

> Letter of Transmittal	2
> GFOA Certificate of Achievement Award	7
> Management Organizational Chart	8
> Board of Directors	10
> List of Board Appointed Officials	11

FINANCIAL SECTION

> Independent Auditor's Report	15
> Management's Discussion and Analysis	19
Financial Statements:	
Government-wide Financial Statements:	
> Statement of Net Position	34
> Statement of Activities	35
Fund Financial Statements:	
> Balance Sheet – Governmental Funds	36
> Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Activities	37
> Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	38
> Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39
> Statement of Net Position – Proprietary Fund – Enterprise Fund	40
> Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund – Enterprise Fund	41
> Statement of Cash Flows – Proprietary Fund – Enterprise Fund	42
> Statement of Fiduciary Net Position – Employee Retirement and OPEB Trust Funds	44
> Statement of Changes in Fiduciary Net Position – Employee Retirement and OPEB Trust Funds	45
Notes to the Financial Statements	46

REQUIRED SUPPLEMENTARY INFORMATION

> Schedule of Changes in Net Pension Liability and Related Ratios – California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan	116
> Schedule of Contributions – CalPERS – Miscellaneous Plan	117
> Schedule of Changes in Net Pension Liability and Related Ratios – Employee Retirement Income Plans:	
> Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD)	118
> Transportation Communication Union Plan (TCU)	119
> American Federation of State, County and Municipal Employee Plan (AFSCME)	120
> Non-Contract (NC)	121
> Amalgamated Transportation Union Plan (ATU)	122
> Totals for the Four Union Groups and Non-Contract	123
> Schedule of Contributions to Employee Retirement Income Plans	124
> Schedule of Changes in Net OPEB Liabilities and Related Ratios – Other Postemployment Benefits Plan	125
> Schedule of Investment Returns – Other Postemployment Benefits Plan	126
> Schedule of Contributions – Other Postemployment Benefits Plan	127
> Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
> General Fund	128
> Proposition A Fund	129
> Proposition C Fund	130

> Measure R Fund	131
> Measure M Fund	132
> Transportation Development Act Fund	133
> State Transit Assistance Fund	134

OTHER SUPPLEMENTARY INFORMATION

> Combining and Individual Fund Financial Statements and Schedules:	
> Combining Balance Sheet – Nonmajor Governmental Funds	138
> Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	139
> Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
> Service Authority for Freeway Emergencies Fund	140
> Other Special Revenue Funds	141
> Combining Statement of Fiduciary Net Position	142
> Combining Statement of Changes in Fiduciary Net Position	143
> Combining Statement of Fiduciary Net Position – Employee Retirement Trust Funds	144
> Combining Statement of Changes in Fiduciary Net Position – Employee Retirement Trust Funds	145

STATISTICAL SECTION**Financial Trends**

> Net Position by Component (Table 1)	150
> Changes in Net Position (Table 2)	152
> Fund Balances of Governmental Funds (Table 3)	154
> Changes in Fund Balances of Governmental Funds (Table 4)	156

Revenue Capacity

> Governmental Activities – Sales Tax Revenues by Source (Table 5)	158
> Program Revenues by Source (Bus and Rail) (Table 6)	159
> Farebox Recovery Percentage by Mode (Table 7)	160

Debt Capacity

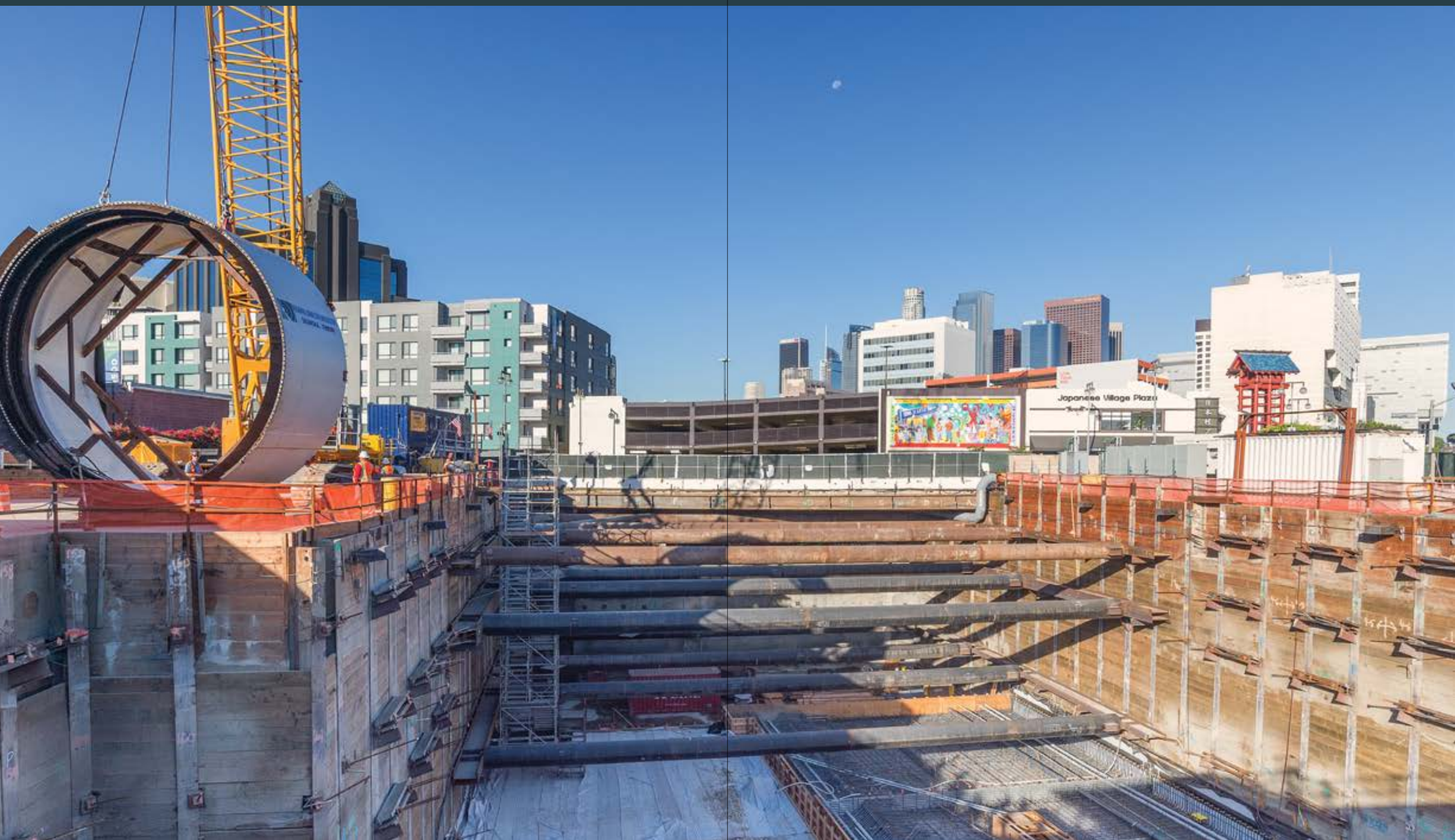
> Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures (Table 8)	161
> Historical Debt Service Coverage Ratios – Proposition A, Proposition C and Measure R (Table 9)	162
> Graphical Presentation of Table 9 – Proposition A, Proposition C, Measure R and Debt Service Coverage Ratios	163
> Ratio of Outstanding Debt by Type (Table 10)	164

Demographic and Economic Information

> Demographic and Economic Statistics (Table 11)	166
> Ten Largest Employers in Los Angeles County (Table 12)	168
> Los Angeles County Taxable Transactions by Type of Business (Table 13)	170

Operating Information

> Operating Indicators by Mode (Table 14)	172
> Graphic Presentation of Table 14 – Passenger Fares and Operating Expenses by Mode	173
> Passenger Boarding by Mode (Table 15)	174
> Operating Expenses by Function (Bus and Rail) (Table 16)	175
> Full-Time Equivalent Employees by Function (Table 17)	176
> Revenues and Operating Assistance – Comparison to Transit Industry Trend (Table 18)	177
> Operating Expenses by Function – Comparison to Transit Industry Trend (Table 19)	178



Letter of Transmittal


Metro

 Los Angeles County
Metropolitan Transportation Authority

 One Gateway Plaza
Los Angeles, CA 90012-2952

 213.922.2000 Tel
metro.net

December 19, 2018

 The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Dear Honorable Board of Directors:

Subject: Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2018, is submitted herewith. State law requires LACMTA to publish a complete set of audited financial statements within six months of the close of each fiscal year.

LACMTA is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Uniform Guidance. Information related to the Single Audit, including the Schedule of Federal and State awards, findings, and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are set forth in a separate Single Audit report.

Crowe LLP, a firm of licensed Certified Public Accountants, has audited the LACMTA's financial statements. The main goal of the independent audit is to provide reasonable assurance that the financial statements of LACMTA as of and for the fiscal year ended June 30, 2018, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion on LACMTA's financial statements as of and for the fiscal year ended June 30, 2018. The independent auditor's report is located in the front of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of information contained in this report, based upon a comprehensive framework of internal controls. Because the cost of internal control should not exceed anticipated benefits, the objective of the controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All material disclosures necessary to enable the reader to gain an understanding of LACMTA's financial activities have been included.

Management's Discussion and Analysis (MD&A), shown on pages 19 to 33, provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

LACMTA was created by State of California Assembly Bill 152, *Los Angeles County Metropolitan Transportation Authority Reform Act of 1992*, which became effective on February 1, 1993. LACMTA is unique among the nation's transportation agencies. It serves as a planner, coordinator, designer, builder, operator and funding partner of the transportation network serving the most populous county in the nation. As one of the largest providers of public transportation in the United States, LACMTA's coordinated systems have about 391 million bus and rail boardings a year within its 1,459-square-mile service area.

LACMTA's financial reports include the activities of the Public Transportation Service Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), the Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE). Although they are legally separate entities, their activities are reported as blended component units in LACMTA's financial statements.

Balancing LACMTA's FY19 Budget - LACMTA starts the financial cycle by reviewing current year budget variances (both revenue and expense) in order to gauge past performance and anticipated future funding demands. The annual budget process begins with the Planning Parameters presented to the board in January or February. The parameters include estimated revenue and expense growth assumptions, service levels, construction project cash flows and funding availability based on information available at the time the Board Report is composed. March and April involve public outreach efforts to obtain feedback from LA County taxpayers on the Budget details followed by Board Adoption targeted for May each year.

The \$6.6 billion FY19 adopted budget is \$329 million or 5.2% more than the FY18 budget. As a share of LACMTA's entire budget, the percentage for each expenditure category remains fairly constant. The most significant variances are the increases in: Subsidy Funding Programs from the growth in sales tax revenues and the new Senate Bill 1 (SB 1) funding; State of Good Repair and Other Asset Improvements due to piloting the conversion of the bus fleet to electric/zero emissions and major rehabilitation of the Blue Line; Operations and Maintenance due to new labor contracts; General Planning & Programs due to the expansion of bikeshare, Union Station Improvements, and Public Private Partnerships; and the repayment of FY18 bonds.

This year, LACMTA continues its steady stride toward a new and improved Los Angeles County with continued progress on three major transit projects: the Westside Purple Line Extension, Regional Connector, and Crenshaw/LAX. Together, these on-going construction projects account for 87% of the transit delivery budget. As we work to fulfill the promise of Measure M, we must plan not only for the immediate future, but for the coming decade and beyond. We are working toward developing a financial roadmap that can be used to inform decision makers at all levels of the planned delivery of projects, programs and services over the next decade.

Budgetary Controls - LACMTA's legal level of budgetary control is at the fund level. Comprehensive multi-year plans are adopted when major capital projects are approved. The portion of costs expected to be incurred on each project during the fiscal year is included in annual appropriations. The budgetary control for capital projects is at the life-of-project level and thus the funding commitment does not lapse at the end of each fiscal year. LACMTA maintains an encumbrance accounting system as another tool of budgetary control.

The Board of Directors (Board) approves the budget by June 30 of each fiscal year. The annual budget establishes the legal level of appropriation. The budget includes operating, capital, regional funding, and other components necessary to implement the policy directions contained in previously Board adopted long-term plans such as the Long Range Transportation Plan (LRTP) and the more detailed Short Range Transportation Plan (SRTP). In addition to operating its own services, LACMTA funds other municipal bus operators, commuter rail services, ADA paratransit, Metrolink, Access Services and a wide array of transportation projects.

LOCAL ECONOMY

According to the Los Angeles County Economic Development Corporation (LAEDC), Los Angeles County (the County) has over 10 million residents and a workforce of more than 5.1 million people in 88 cities spread across 4,084 square miles, meaning that the County's population exceeds that of 41 states. Los Angeles has developed into one of the premier centers of economic and cultural activity in the world. If it were a country, LA County would be the 20th largest economy in the world. The County remains one of the largest manufacturing centers in the nation, a global gateway for trade and tourism, serves as the world's largest entertainment hub, and draws entrepreneurs and risk-takers from around the world. It is expected that almost all industry sectors will add jobs over the next two years. However, the strongest job growth in terms of number of new jobs will be in the following industries: Health Care and

Social Assistance, Administrative and Support, Construction, Leisure and Hospitality, Retail Trade, and Government. A sign of LA County's strengthening economy is the amount of new construction seen across the County, as business invest in new buildings and public infrastructure projects begin development.

In 2017, real Gross Domestic Product (GDP) in the County grew at 3.2%, an uptick from the prior year when the economy grew by 2.1%. For 2018, LAEDC estimates that the County growth rate will again be above the national growth rate. Real GDP growth in the County is expected to be 2.4% for 2018 and 2.2% for 2019, outpacing the nation in both years (2.3% and 2.1%, respectively).

In 2017, the average unemployment rate in Los Angeles County reached 4.6%, the lowest unemployment rate since 2007 and more than 63% below the post-recession peak of 12.5% in August 2010. LAEDC estimates the unemployment rate will decline slowly over the next two years, falling to 4.3% in 2018 and reaching 4.1% in 2019, as the County, similar to the state, starts to tick above full employment. Job growth has been positive since 2011, averaging 2.5% annually. This is expected to slow to 0.8% in 2019 as there are fewer jobs needed to be added and as the labor market tightens.

Non-farm employment was up in 2017 by 56,900 wage and salary jobs, reaching just above 4.4 million jobs, an increase of 1.3% over 2016. Almost all industry sectors added jobs in 2017. The largest private sector gains were in Health Care and Social Assistance (adding 21,800 jobs), Leisure and Hospitality (adding 7,900 jobs), and Other Services (6,700 jobs). Government payrolls grew by 1,200 jobs. The sector expected to add the largest number of jobs over the next two years are Healthcare and Social Assistance (24,660 new jobs), and Administrative and Support Services (16,320 jobs). Construction will add 14,610 jobs over the next two years, and Leisure and Hospitality is expected to gain 12,120 jobs. Personal income in the County has been rising, posting consecutive year-over-year increases since 2013. In 2016, personal income totaled \$563.9 billion and reached \$585.5 billion in 2017. Similar to total personal income, real per capita income has also been rising, reaching \$48,790 in 2016 and \$50,650 in 2017. The boom in housing construction between 2012 and 2016 appears to have ended in 2017 with a mere 0.017% growth in housing construction. Due to the long-term employment effects of the Great Recession, especially as Millennials (those born after 1980 and coming of age in the new millennium) struggle with mounting debt burdens and, depending on education, lack of employment opportunities, the supply of new homes has clearly followed the lack of demand.

The anemic growth in new housing is predicted to continue in 2018 and 2019, each year seeing only about 0.02% growth in residential housing construction. The housing market will also likely suffer from a real estate investment market still leery of housing as an investment vehicle. In 2017, the number of permits issued for new home construction in Los Angeles County increased over the year by 8.9% to 22,010 units permitted. The median home price in the County increased over the year by 8.0% to an estimated \$560,860.

LONG-TERM FINANCIAL PLANNING

Long-term financial planning is accomplished in two stages at LACMTA: (1) the Long Range Transportation Plan (LRTP) and (2) the Short Range Transportation Plan (SRTP). The LRTP is a 25-30 year plan that is updated approximately every five years. The LRTP is adopted by the Board and prioritizes the highway and transit infrastructure projects and transit services for the entire region. The SRTP is a five-year plan that is updated between LRTP cycles and adopted by the Board. The SRTP refines the schedules and budgets for adopted LRTP projects that are occurring in the nearer term. The LRTP and the SRTP use the most recent Adopted Annual Budget as the baseline for the period covered in those plans. These Plans (LRTP/SRTP) rely upon a magnitude of assumptions that may differ from the Annual Budgets adopted by the Board each year. The Annual Budget represents the legal authority for spending Metro dollars.

RELEVANT FINANCIAL POLICIES

The Board retains the financial stability policy at the same time the annual proposed budget is approved each year. The policy remains in effect until it is amended or changed by the Board.

The Financial Stability Policy (Policy) is divided into three sections: Goals, Strategies and General Fiscal Policies. The purpose of the Policy is to ensure that LACMTA prudently manages its financial affairs and establishes appropriate cash reserves in order to meet its future financial commitments.

Also included in the Policy are the Business Planning Parameters and Debt Financial Standards. The purpose of the Business Planning Parameters is to provide management with a framework for developing the following year's budget and other LACMTA financial plans and to establish future business targets for management to achieve. The purpose of the Debt Financial Standards is to limit the level of debt that may be incurred and to ensure that debt assumptions used in financial planning are based on financial parameters similar to, or more conservative than, those that would be placed on LACMTA by the financial marketplace. These standards are consistent with the Board-approved Debt Policy.

MAJOR INITIATIVES

NextGen Bus Study

In FY18, LACMTA Operation launched a multi-year effort to completely redesign the bus network. This long-term project will reimagine LACMTA's bus network and restructure bus service to be more relevant to, reflective of, and attractive to the diverse needs of our customers. The NextGen Bus Study will take place over four distinct project phases: assessment of travel markets, development of services concepts, design of an explicit service plan, and implementation.

Ridership Initiatives

At the close of FY17, the Board of Directors adopted the Metro Vision 2028 Plan, an ambitious agency-wide strategic plan that sets the framework for our exciting transformation over the next decade. In response to the recent trend of decreased transit boardings nationwide, LACMA has developed a comprehensive multi-year transit ridership growth plan. The ridership initiatives that have been identified for implementation are drawn directly from Vision 2028, the Office of Extraordinary Innovation's strategic plan for the next ten years. To begin with, the top initiative on the roster is to improve bus travel speeds. It is well known that congested streets and highways degrade the quality of bus service along with all other traffic. Meanwhile, we will be testing a LACMTA's version of on-demand shared ride services with our Microtransit pilot program currently under development.

Information Technology improvements

In addition to direct improvements to our bus and rail systems, LACMTA is also implementing several information technology enhancements that will ultimately result in better transit service for our riders. Cellular service is being added to all subterranean rail lines, while electronic displays at 300 bus stop locations will provide better real time arrival information on our bus network. On the internal side, we are also initiating new business system projects that will streamline processes on the back end in order to increase efficiency and enable LACMTA to provide an improved customer experience.

Transit Projects

Funded by Measure M and Measure R with ambitious agency-wide strategic plan, progress on capital projects will be accelerated in the coming years. Some of the transit expansions at Metro and Highway infrastructure enhancements are: Airport Rail Connector and Green Line Extension, East San Fernando Valley Transit Corridor, Gold Line Rail Extension (Foothill to Claremont), Purple Line Rail Subway Extension (Century City West to Westwood/VA Hospital), West Santa Anita Light Rail Corridor (Union Station to Artesia), Orange Line BRT Improvements, South Bay Green Line Rail Extension (Redondo Beach to Torrance Transit Center) and Crenshaw/LAX Light Rail Extension.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to LACMTA for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

The Certificate of Achievement is valid for a period of one year only. We believe LACMTA's current report continues to conform to the Certificate of Achievement Program's requirements and it will be submitted to the GFOA for consideration.

ACKNOWLEDGMENTS

I want to thank the Accounting Department, who has worked diligently in the preparation of these financial statements, and all other departments for their assistance in providing the data necessary to prepare the report. I would like to acknowledge the Board and our CEO for their continuous support in maintaining the highest standard of professionalism in the management of LACMTA's finances. Finally, I want to thank our independent auditors, Crowe LLP, for their efforts throughout this audit engagement.

Respectfully submitted,



Nalini Ahuja
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Los Angeles County
Metropolitan Transportation Authority
California**

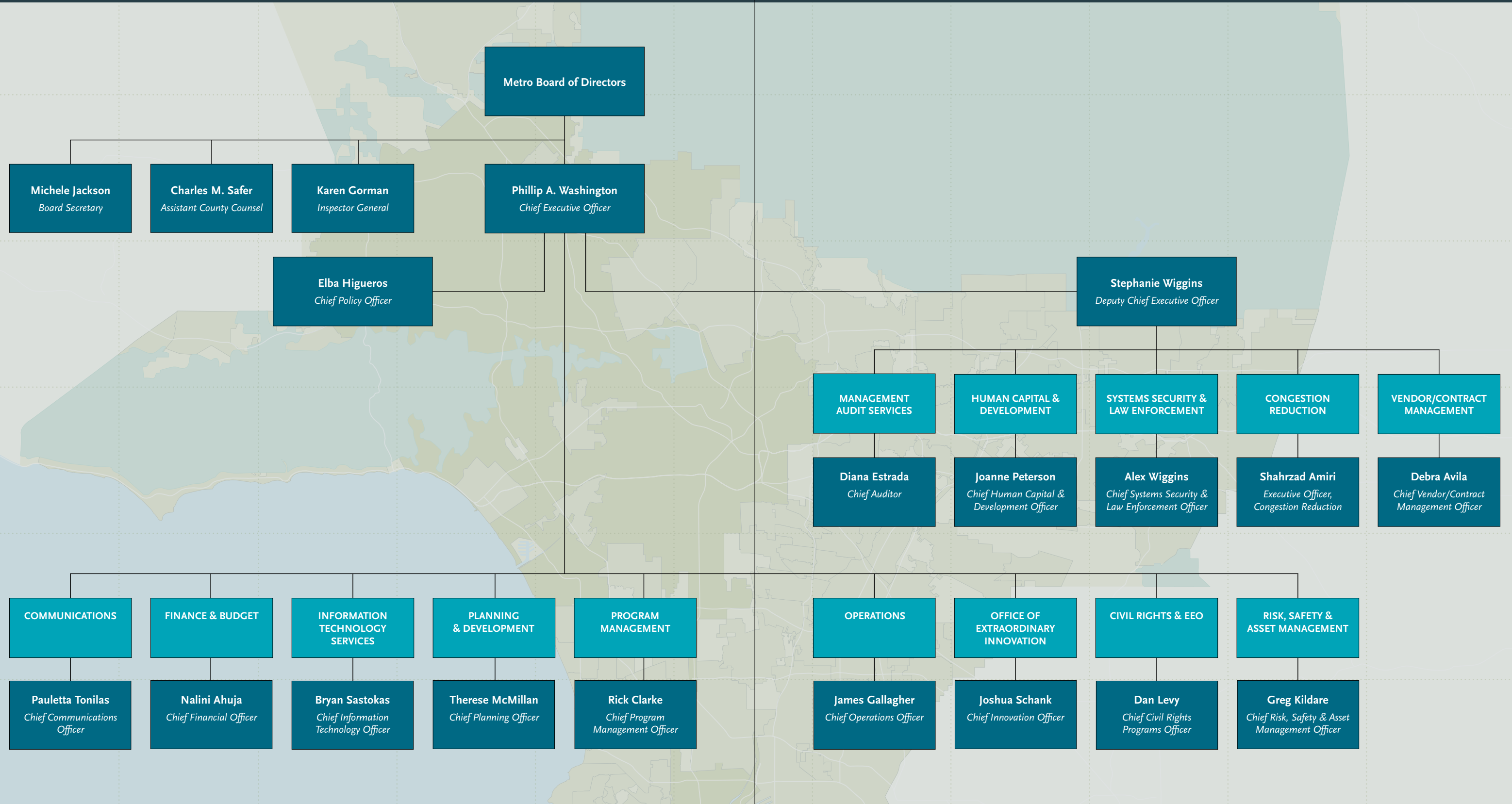
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017



Executive Director/CEO

Los Angeles County Metropolitan Transportation Authority Management Organizational Chart



Board of Directors
(Updated as of July 2018)



1

Sheila Kuehl
Chair
Los Angeles County Supervisor
Third Supervisorial District



2

James Butts
First Vice Chair
Mayor, City of Inglewood



3

Eric Garcetti
Second Vice Chair
Mayor, City of Los Angeles



4

Kathryn Barger
Los Angeles County Supervisor
Fifth Supervisorial District



5

Mike Bonin
Council Member,
City of Los Angeles



6

Jacquelyn Dupont-Walker
City of Los Angeles Appointee



7

John Fasana
Mayor Pro Tem, City of Duarte



8

Robert Garcia
Mayor, City of Long Beach



9

Janice Hahn
Los Angeles County Supervisor
Fourth Supervisorial District



10

Paul Krekorian
Council Member,
City of Los Angeles



11

Ara Najarian
Council Member, City of Glendale



12

Mark Ridley-Thomas
Los Angeles County Supervisor
Second Supervisorial District



13

Hilda L. Solis
Los Angeles County Supervisor
First Supervisorial District



14

Shirley Choate
Acting Caltrans, District 7 Director
Non-Voting
Appointed by the Governor of California

● See map for area represented



Board Appointed Officials & Executive Staff

BOARD APPOINTED OFFICIALS

- Phillip A. Washington**, *Chief Executive Officer*
- Michele Jackson**, *Board Secretary*
- Karen Gorman**, *Inspector General, Chief Ethics Officer*
- Charles Safer**, *Assistant County Counsel*

EXECUTIVE STAFF

- Stephanie Wiggins**, *Deputy Chief Executive Officer*
- Pauletta Tonilas**, *Chief Communications Officer*
- Nalini Ahuja**, *Chief Financial Officer*
- Richard F. Clarke**, *Chief Program Management Officer*
- Bryan Sastokas**, *Chief Information Technology Officer*
- Greg Kildare**, *Chief Risk, Safety & Asset Management Officer*
- Diana Estrada**, *Chief Auditor*
- Dan Levy**, *Chief Civil Rights Programs Officer*
- James Gallagher**, *Chief Operations Officer*
- Debra Avila**, *Chief Vendor/Contract Management Officer*
- Elba Higueros**, *Chief Policy Officer*
- Joanne Peterson**, *Chief Human Capital & Development Officer*
- Therese McMillan**, *Chief Planning Officer*
- Alex Wiggins**, *Chief Systems Security & Law Enforcement Officer*
- Joshua L. Schank**, *Chief Innovation Officer*
- Shahrazad Amiri**, *Executive Officer, Congestion Reduction Programs*





Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, which represent 73%, 74%, and 64% of the assets, net position, and revenues/additions, respectively, of the aggregate remaining fund information. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, is based solely on the report of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of June 30, 2018, and the respective changes in its financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note Q to the financial statements, during the year ended June 30, 2018, LACMTA adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*, which resulted in a restatement of July 1, 2017 business-type activities net position in the amount of \$956,045 (amount in thousands). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios - California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan, schedule of contributions - California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan, the schedule of changes in net pension liability and related ratios - Employee Retirement Income Plans, the schedule of contributions to Employee Retirement Income Plans, the schedule of changes in net OPEB liability and related ratios, schedule of investments returns - OPEB Plan, schedule of contributions - OPEB Plan, and the budgetary comparison information for the general fund, Proposition A fund, Proposition C fund, Measure R fund, Measure M fund, Transportation Development Act fund and State Transit Assistance fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LACMTA's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, budgetary comparison information - Service Authority for Freeway Emergencies fund and other special revenue funds, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and budgetary comparison information for the Service Authority for Freeway Emergencies fund and other special revenue funds, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and budgetary comparison information for the Service Authority for Freeway Emergencies fund and other special revenue funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of LACMTA's internal control over financial reporting and our on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Los Angeles, California
December 19, 2018

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

As management of the Los Angeles County Metropolitan Transportation Authority (LACMTA), we offer our readers of LACMTA's financial statements this narrative overview and analysis of the financial activities of LACMTA for the fiscal year ended June 30, 2018. This discussion and analysis is designed to:

- > Provide an overview of LACMTA's financial activities
- > Highlight significant financial issues
- > Discuss changes in LACMTA's financial position
- > Explain any material deviations from the approved budget
- > Identify individual major fund issues

We encourage readers to consider the information presented here in conjunction with additional information that we have in our letter of transmittal which can be found on pages 2-6 of this report. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- > LACMTA's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of June 30, 2018 by \$9,763,108. Of this amount, a negative amount of \$1,450,919 is reported as unrestricted net position.
- > Business-type activities net position for the current year increased by \$787,821 mainly due to the increase in federal grants and local funding for capital expenditures mostly attributed to major rail construction projects on the Westside Subway and the Crenshaw/LAX Transit Corridor. However, the increase in net OPEB liabilities and deferred inflows resulting from the implementation of GASB 75 resulted to a prior period adjustment that reduced the beginning net position by \$956,045 resulting in a net decrease in the business-type net position by June 30, 2018.
- > The increase in the governmental activities net position of \$498,618, or 22.60% was mainly due to the increase in sales tax revenues that included the effect of the new Measure M one-half cent sales tax that took effect on July 1, 2017, and the decrease in administration cost in Proposition C that included the \$300 million litigation settlement on the I-405 project in FY17.
- > At the close of fiscal year 2018, LACMTA's governmental funds reported combined fund balances totaling \$1,953,871, an increase of \$539,317 compared to the prior year. Of this amount, \$1,625,063 was restricted, \$14,250 was committed, \$35,168 was assigned, and \$279,390 was unassigned and available for spending at LACMTA's discretion.
- > At the end of fiscal year 2018, the unrestricted fund balance, the total of the committed, assigned and unassigned components of fund balance, for the General fund was \$328,808 or approximately 222.74% of total General fund expenditures.
- > During fiscal year 2018, long-term debt increased by \$854,989, or 16.42%, compared to the previous fiscal year. This was mainly due to the issuance of new Proposition A bonds and drawdowns on the Transportation Infrastructure Finance and Innovation (TIFIA) loans that partially financed the Crenshaw/LAX Transit Corridor, the Regional Connector and the Westside Purple Line Extension Section 1 projects in fiscal year 2018.

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to LACMTA's financial statements. LACMTA's financial statements are comprised of three components: (1) the government-wide financial statements; (2) the fund financial statements; and (3) the notes to the financial statements. This report also includes required supplementary information and other supplementary information intended to furnish additional detail to support the financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of LACMTA's finances in a manner similar to private-sector entities.

The Statement of Net Position on page 34 presents information on all of LACMTA's assets, liabilities, and deferred inflows/outflows of resources, and the difference is reported as net position. Over time, trends of increasing or decreasing net position may serve as useful indicator of whether the financial position of LACMTA is improving or deteriorating.

The Statement of Activities on page 35 presents information showing how LACMTA's net position changed during the most recent fiscal year. It reports these changes when the underlying event occurs regardless of the timing of related cash flows using the total economic resources measurement focus. It shows the gross and net costs of LACMTA's functions.

Both the Statement of Net Position and the Statement of Activities distinguish between the functions that are intended to recover a significant portion of their costs from user fees and charges for business-type activities and the functions that are principally supported by governmental revenues for governmental activities.

The government-wide financial statements include LACMTA and its legally separate entities that are financially accountable to LACMTA. Since they are in substance part of LACMTA's operations, their information has been blended with LACMTA's information. These entities include the Public Transportation Services Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), the Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE).

Fund Financial Statements

A fund is a group of related accounts that is distinguished by specific activities or objectives in accordance with special regulations or restrictions. LACMTA uses fund accounting to ensure and demonstrate compliance with legal requirements. LACMTA's funds are divided into three categories: proprietary, governmental and fiduciary.

Proprietary Funds

LACMTA maintains only one Proprietary fund: the Bus and Rail Operations Enterprise Fund. All transit-related transactions, including support services, capital, debt, ExpressLanes and Union Station operation activities are recorded in this fund and are presented as business-type activities in the government-wide financial statements.

The Enterprise fund is used to report the type of functions presented in the business-type activities in the government-wide financial statements. The Proprietary fund financial statements can be found on pages 40-43.

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

Governmental Funds

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus, they report near-term inflows and outflows of spendable resources, as well as balances of available spendable resources at the end of the fiscal year. The governmental fund financial statements can be found on pages 36 and 38.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 37 and 39 are shown to facilitate the comparison between the governmental funds and the government-wide financials.

LACMTA maintains eleven individual governmental funds, seven of which are considered major funds. Individual fund data for the major funds are presented in the governmental funds' balance sheet and governmental funds' statement of revenues, expenditures, and changes in fund balances.

LACMTA adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major Special Revenue fund on pages 128-134, for the nonmajor funds on page 140, and for the aggregate remaining Special Revenue funds on page 141.

Fiduciary Funds

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity. Since these assets are not available to fund LACMTA's programs, they are excluded from the government-wide financial statements. They cover the five employee pension plans and the Other Postemployment Benefits (OPEB) Trust fund that are administered by LACMTA. The fiduciary fund statements can be found on pages 44-45.

Notes to the Basic Financial Statements

Various disclosures accompany the government-wide and fund financial statements in order to provide a full understanding of LACMTA's finances. The notes to the financial statements are on pages 46-113.

Other Information

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information, other supplementary information, and statistical information beginning on page 116.

GOVERNMENT-WIDE FINANCIAL ANALYSIS**Statement of Net Position**

LACMTA's net position at June 30, 2018 increased by \$1,286,439, or 13.64%, when compared to June 30, 2017. The increase in net position was mostly due to the increase in sales tax revenues in the governmental funds, including the additional one-half cent sales tax revenue from Measure M, and supplemental revenues from the State arising from Senate Bill 1 (SB 1) gas tax stream. Additionally, federal and local contributions for capital expenditures also increased due to the increase in construction activities on major capital rail projects. However, the beginning net position in the business-type activities decreased due to the implementation of GASB 75 that resulted in an increase to the net OPEB liability and the deferred inflow of resources related to OPEB.

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

The following table is a summary of the Statement of Net Position as of June 30, 2018, and 2017:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 2,182,939	\$ 1,545,623	\$ 2,347,917	\$ 1,735,808	\$ 4,530,856	\$ 3,281,431
Capital assets	13,859,626	12,690,340	749,457	768,977	14,609,083	13,459,317
Total Assets	16,042,565	14,235,963	3,097,374	2,504,785	19,139,939	16,740,748
Deferred outflows of resources	232,147	267,442	-	-	232,147	267,442
Total assets and deferred outflows of resources	16,274,712	14,503,405	3,097,374	2,504,785	19,372,086	17,008,190
Long-term liabilities	8,334,713	6,772,990	-	-	8,334,713	6,772,990
Other liabilities	561,878	493,455	392,499	298,528	954,377	791,983
Total liabilities	8,896,591	7,266,445	392,499	298,528	9,289,090	7,564,973
Deferred inflows of resources	319,888	10,503	-	-	319,888	10,503
Total liabilities and deferred inflows of resources	9,216,479	7,276,948	392,499	298,528	9,608,978	7,575,476
Net investment in capital assets	8,328,321	7,797,783	749,457	768,977	9,077,778	8,566,760
Restricted for:						
Debt service	536,936	459,949	-	-	536,936	459,949
Proposition A ordinance projects	-	-	127,125	134,674	127,125	134,674
Proposition C ordinance projects	-	-	178,945	214,721	178,945	214,721
Measure R ordinance projects	-	-	414,565	362,645	414,565	362,645
Measure M ordinance projects	-	-	429,568	-	429,568	-
TDA and STA projects	-	-	302,434	159,013	302,434	159,013
Other nonmajor governmental projects	-	-	146,676	93,962	146,676	93,962
Unrestricted (deficit)	(1,807,024)	(1,031,275)	356,105	472,265	(1,450,919)	(559,010)
Total Net Position	\$ 7,058,233	\$ 7,226,457	\$ 2,704,875	\$ 2,206,257	\$ 9,763,108	\$ 9,432,714

The increase in current and other assets of \$637,316, or 41.23%, in the business-type activities was primarily due to the increase in cash and investment accounts activities as required reserve for the TIFIA loans are accumulated.

The increase in capital assets of \$1,169,286, or 9.21%, in the business-type activities was mainly due to the rail construction projects on the Crenshaw/LAX Transit Corridor and Westside Subway Extension Sections 1 and 2, the procurement of light rail vehicles, and the bus midlife overhaul in addition to the on-going construction activities on the Airport Metro Connector, and the Division 20 Portal Widening and Turnback Facility project, as described in more detail on pages 26-29.

The decrease in deferred outflows of resources of \$35,295, or 13.20%, in the business-type activities over fiscal year 2017 was mainly due to the amortization of the difference between the expected and the actual earnings related to pension plans investments.

The increase in long-term liabilities of \$1,561,723 or 23.06% in the business-type activities was principally due to the increase in long-term debt from the issuance of Proposition A bonds and drawdowns from the TIFIA loans that partially funded capital project expenditures in fiscal year 2018. In addition, the implementation of GASB 75 in fiscal year 2018 also resulted in a significant increase in net OPEB liability.

The increase in other liabilities of \$93,971, or 31.48%, in the business-type activities was mainly due to the increase in accounts payable and accrued expenses due to timing of payments to vendors at year end.

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

The significant increase in the deferred inflows of resources of \$309,385, or 2,945.68% was mainly attributed to the additional deferred inflows related to OPEB as a result of the initial implementation of GASB 75 in fiscal year 2018.

The decrease in the business-type unrestricted net position of \$775,749, or 75.22%, was mainly due to the effect of GASB 75 implementation that increased the net OPEB liabilities and deferred inflows of resources and an adjustment to the beginning net position. There were no significant changes in operating costs other than the increase in interest expense of \$11,762 net of capitalized cost.

The increase in current and other assets of \$612,109, or 35.26%, in the governmental activities was mainly due to the increase in sales tax receivables, partially due to the timing of receipts of sales tax revenues, in addition to the Measure M sales tax receivables that was new in fiscal year 2018.

The increase in other liabilities of \$93,971 or 31.48%, in the governmental activities was due to the increase in accounts payable due to the timing of payments to vendors at year end.

Statement of Activities

The following is a summary of the Statement of Activities for the years ended June 30, 2018, and 2017:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for services	\$ 404,415	\$ 423,143	\$ 18,269	\$ 19,427	\$ 422,684	\$ 442,570
Operating grants and contributions	327,664	252,344	83,838	130,836	411,502	383,180
Capital grants and contributions	664,403	340,376	-	-	664,403	340,376
General revenues:						
Sales tax	-	-	3,931,132	2,834,411	3,931,132	2,834,411
Investment income	12,385	11,474	21,533	17,195	33,918	28,669
Net appreciation in fair value of investments	2,057	558	(5,891)	(6,615)	(3,834)	(6,057)
Gain (loss) on disposition of capital assets	-	(799)	970	1,200	970	401
Miscellaneous	13,024	10,635	52,883	59,464	65,907	70,099
Total program revenues	1,423,948	1,037,731	4,102,734	3,055,918	5,526,682	4,093,649
Program expenses:						
Bus and rail operations	2,363,719	2,311,422	-	-	2,363,719	2,311,422
Union station operations	8,400	9,664	-	-	8,400	9,664
Toll operations	31,905	27,073	-	-	31,905	27,073
Transit operators programs	-	-	345,473	351,667	345,473	351,667
Local cities programs	-	-	749,990	543,972	749,990	543,972
Congestion relief operations	-	-	41,407	50,034	41,407	50,034
Highway projects	-	-	220,443	181,211	220,443	181,211
Regional multimodal capital programs	-	-	104,298	114,253	104,298	114,253
Paratransit programs	-	-	114,027	103,560	114,027	103,560
Other transportation subsidies	-	-	118,119	93,316	118,119	93,316
General government	-	-	142,462	135,255	142,462	135,255
Total program expenses	2,404,024	2,348,159	1,836,219	1,573,268	4,240,243	3,921,427
Increase (decrease) in net position before transfers	(980,076)	(1,310,428)	2,266,515	1,482,650	1,286,439	172,222
Transfers	1,767,897	1,297,026	(1,767,897)	(1,297,026)	-	-
Increase (decrease) in net position	787,821	(13,402)	498,618	185,624	1,286,439	172,222
Net position – beginning of year	7,226,457	7,239,859	2,206,257	2,020,633	9,432,714	9,260,492
Implementation of GASB 75	(956,045)	-	-	-	(956,045)	-
Net position – beginning of year, as restated	6,270,412	7,239,859	2,206,257	2,020,633	8,476,669	9,260,492
Net position – end of year	\$ 7,058,233	\$ 7,226,457	\$ 2,704,875	\$ 2,206,257	\$ 9,763,108	\$ 9,432,714

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

Business-type activities recovered from operating revenues 23.30% of total operating expenses, excluding depreciation, compared to 24.70% in the prior year. The remaining costs were covered by grants and transfers provided by LACMTA's governmental activities. Capital asset replacement costs have traditionally been funded as needed with governmental resources and grants.

Operating grants in the business-type activities increased by \$75,320 or 29.85% over the previous fiscal year. The increase was mainly due to the increase in federal grants related to rail maintenance mostly attributed to the new Gold line and EXPO line extensions.

Operating grants and contributions in the governmental activities decreased by \$46,998, or 35.92%, compared to the previous year, due to the decrease in federal funding mostly attributed to the planning activities related to highway projects, regional multimodal capital program and the system-wide connectivity projects.

Sales tax revenues increased by \$1,096,721 or 38.69% over fiscal year 2017. The increase was due to the additional half-cent sales tax from Measure M that took effect on July 1, 2017, in addition to the increase in sales tax revenues from Proposition A, Proposition C, and Measure R.

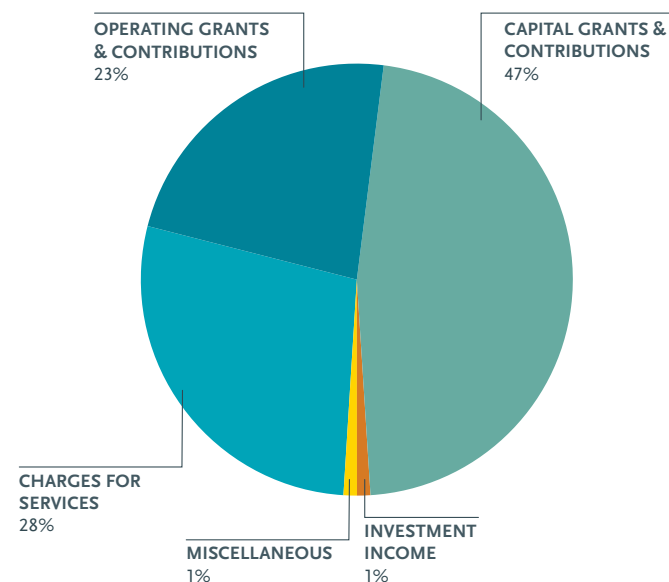
Most of the governmental program expenses relate to subsidies for countywide transportation planning and development programs. These programs are primarily funded by local sales taxes. Subsidies totaled \$1,520,276, reflecting an increase of \$264,274 or 21.04% over the prior year, and they represented the largest governmental expense. Subsidies are pass-through federal, state and local funding to other agencies in LA County for public transit, traffic system, street and road maintenance, and other transit related improvement projects.

The local cities program increased by \$206,018 or 37.87% and other transportation subsidies expenses increased by \$24,803 or 26.58% over fiscal year 2017 due to additional subsidies provided by Measure M for the Congestion Relief Development program.

Highway project expenses in the governmental activities increased by \$39,232, or 21.65%, compared to the previous year. The increase was mainly attributed to the Alameda Corridor East Grade Separation, and highway improvements on the I-710 "Hot Spots", I-605, and I-5 N HOV Lanes from SR134-SR118.

Below is a graphical depiction of the components of business-type revenues for the fiscal year ended June 30, 2018.

REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES

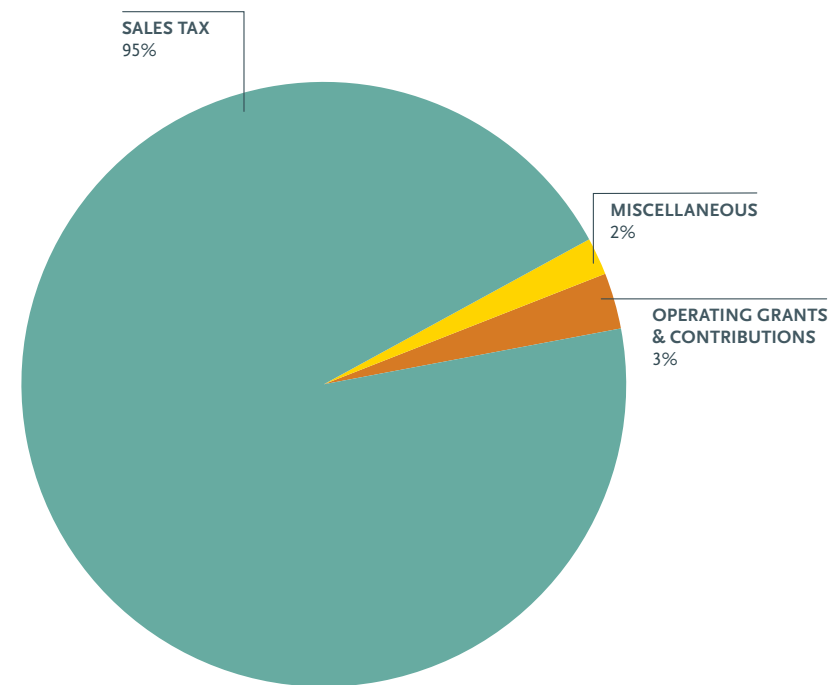


Management's Discussion and Analysis (Unaudited)

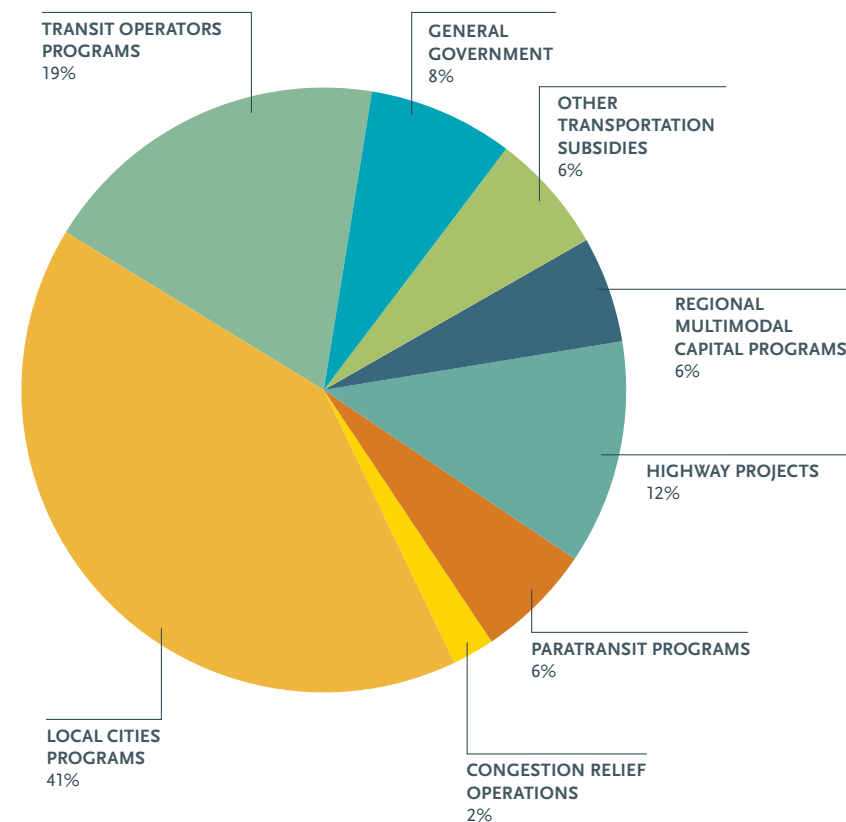
For the Fiscal Year Ended June 30, 2018

Below are graphical depictions of the components of governmental revenues and expenses for the fiscal year ended June 30, 2018.

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



EXPENSES BY PROGRAM – GOVERNMENTAL ACTIVITIES



Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF LACMTA'S FUNDS

Proprietary Funds

The Proprietary fund financial statements provide the same information found in the business-type section of the government-wide financial statements, but in more detail.

The net increase of \$787,821 or 10.90% in net position was primarily due to the increase in federal grants and local funding mostly attributed to major rail construction projects on the Westside Subway Extension Sections 1 and 2, and the Crenshaw/LAX Transit Corridor. The beginning net position also decreased as a result of GASB 75 implementation that increased net OPEB liability, and deferred inflows of resources related to OPEB in fiscal year 2018.

Governmental Funds

As previously stated, governmental funds present information about current financial (consumable) resources because they directly impact the short-term flow of resources and financing requirements. This situation is particularly true in regard to the different categories of fund balances. The Unassigned fund balance of \$279,390 represents uncommitted available resources as of the end of the fiscal year. LACMTA's governmental funds ended the fiscal year with \$1,953,871 in total fund balance.

The major governmental funds are discussed below:

The General fund balance decreased by \$94,981 mainly due to an increase in funding the expenditures for the Crenshaw/LAX transit Corridor and the Westside Subway Extension Section 2. Of the \$354,558 fund balance, \$75,168 is restricted, committed or assigned for future expenditures.

The Proposition A fund balance decreased by \$7,549 mainly due to an increase in funding operating subsidies to the Enterprise fund for bus and rail operations and maintenance, and meeting debt service requirements. The total fund balance of \$127,125 was restricted as to use by the Proposition A ordinance.

The Proposition C fund balance decreased by \$35,776 mainly due to the increase in transportation subsidies, and eligible planning expenditures related to the Crenshaw/LAX Transit Corridor project. The Proposition C ordinance restricts the use of the fund balance of \$178,945.

The Measure R fund balance increased by \$51,920 mainly due to the increase in sales tax revenues, Federal and State grants revenues that partially funded Measure R eligible planning projects, and investment income. The restricted fund balance of \$414,565 will be used to fund future programs eligible under the Measure R ordinance.

The new Measure M, which accounts for the new voter-approved one-half cent sales tax that took effect on July 1, 2017, had a balance of \$429,568 as of June 30, 2018. The fund balance resulted from a higher actual than projected sales tax revenues while transportation subsidies, operating transfers to Enterprise fund for bus and rail operations, and capital planning/program expenditures were low based on the lower expected revenues.

The Transportation Development Act (TDA) of 1971 provides two funding sources, namely the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA).

The Local Transportation fund balance increased by \$47,597 mainly due to the increase in sales tax revenue and investment income that outpaced the higher transportation subsidies disbursed to

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

claimants for operating or capital allocation drawdowns. The fund balance of \$197,005 is restricted under the provisions of the Transportation Development Act.

The State Transit Assistance fund balance increased by \$95,824 mainly due to an increase in sales tax revenues from the existing STA fund and the additional sales tax received through the passage of Senate Bill 1 (SB 1) known as the Road Repair and Accountability Act of 2017 that provided additional funding to the existing State Transit Assistance fund. Expenditures from SB 1 were programmed in fiscal year 2019. The fund balance of \$105,429 is restricted under the provisions of the Transportation Development Act and the SB 1.

General Fund Budgetary Highlights

The General fund includes activities associated with the government that are not legally or otherwise required to be accounted for in another fund. It accounts for only 2.93% of LACMTA's total governmental fund revenues, while expenditures represent 8.04% of total governmental fund expenditures.

The original budget increased by \$10,107 mainly due to a change in the final budget for the funding source of transportation subsidies for the Federal Earmark Exchange program.

Revenues

The main sources for the General fund are lease and rental income from LACMTA's owned properties, the sale of low carbon fuel credits and other general revenues. Total actual revenues were higher than budget by \$40,993 attributed mainly to the sales of Low Carbon Fuel Standard (LCFS) credits and proceeds from the sale of LACMTA's owned property located at 6141 Century Blvd. to Los Angeles World Airport for the Airport People Mover Project.

Expenditures

The General Fund provides resources to pay for bus and rail operating activities, joint development administration, property management expenditures, administration of LACMTA's rideshare services, and other general expenditures.

The favorable expenditure variance of \$60,054 compared to final budget was mainly due to lower spending in transit planning and other programming activities, lower transportation subsidy payments, and lower expenditures related to governmental and oversight activities. The favorable variance in the Other Financing Sources and Uses of Funds of \$9,822 compared to budget was mainly due to the transfer of funds from the sales tax revenues allocated for Prop A Administration, Prop C Administration and TDA Administration to fund General fund eligible project expenditures.

CAPITAL ASSETS ADMINISTRATION

As of June 30, 2018, LACMTA had \$14,609,083 invested in capital assets, net of accumulated depreciation, as shown below, a 8.54% increase from the previous fiscal year.

CAPITAL ASSETS (Net of accumulated depreciation)						
	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,462,085	\$ 1,362,478	\$ 749,457	\$ 768,977	\$ 2,211,542	\$ 2,131,455
Buildings and improvements	6,093,801	6,410,238	-	-	6,093,801	6,410,238
Equipment	69,771	62,422	-	-	69,771	62,422
Vehicles	1,289,244	1,211,091	-	-	1,289,244	1,211,091
Construction in progress	4,944,725	3,644,111	-	-	4,944,725	3,644,111
Total Capital Assets	\$13,859,626	\$12,690,340	\$ 749,457	\$ 768,977	\$14,609,083	\$13,459,317

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

Major capital asset projects in various stages of development at the end of the current fiscal year included the following:

The **Metro Gold Line Foothill Extension Project** includes the cities of Pasadena, Arcadia, Monrovia, Duarte, Irwindale, Azusa, Glendora, San Dimas, La Verne, Pomona, Claremont and Montclair in the counties of Los Angeles and San Bernardino. The Gold line Foothill Extension is being built in two segments, Segment 2A and 2B.

Segment 2A, budgeted at \$741 million, provided 6 new stations of approximately 11.1 miles of rail track, including additional five miles of freight rail track relocations and improvements, that extended from the Sierra Madre Villa Station in Pasadena to the City of Azusa. This segment, commenced revenue operations in March 2016.

Segment 2B will extend from Azusa to the City of Montclair and will be constructed in two phases. Phase I is currently budgeted at \$1.406 billion for the construction of approximately 70% of the 12.3 mile project alignment. The remaining 30% shall be constructed as additional funds are identified. Phase 2B has 6 new passenger stations and includes improvements to existing bridges and roadways, retaining walls, sound walls, and associated parking facilities. As of June 30, 2018, \$31.4 million had been expended. The expected revenue operation for Segment 2B is 2025.

The **Regional Connector Transit Corridor Project** (Project) has an approved Life-of-Project (LOP) budget of \$1.81 billion. This Project has received a Full Funding Grant Agreement (FFGA) from the FTA and a Transportation Infrastructure Finance Innovation Act (TIFIA) Loan Agreement from the U.S. Department of Transportation (USDOT) to construct the 1.9-mile dual track, underground light rail line. The Project includes three new stations, at the intersections of 1st Street/Central Ave., 2nd Street/Broadway Street, and 2nd Street/Hope Street. The Project will connect the existing Blue and Exposition Light Rail Lines to the existing Gold Light Rail Line.

The Project Budget includes environmental planning, preliminary engineering, final design, real estate acquisitions, construction phases, testing and start-up, finance costs and concurrent non-FFGA activities. As of June 30, 2018, around \$ 1 billion had been expended. The expected revenue operation for the Regional Connector is anticipated in winter 2021/2022.

The **Crenshaw/LAX Transit Project** (Project) has an approved LOP budget of \$2.06 billion. This Project covers the design and construction of a new 8.5-mile double-track light rail line, including eight new stations, the procurement of a minimum of 22 light rail vehicles, and 49% of the cost of the construction of a full service operations and maintenance facility known as the Division 16: Southwestern Yard (SWY). This Project has received a TIFIA Loan from USDOT.

The Project will extend from the EXPO light rail line (at the intersection of Exposition and Crenshaw Boulevards) and the Green Line light rail near the existing Aviation/LAX Station. In May 2015, the Board approved a revision to the Project alignment to include accommodations for the future 96th Street Station as part of the Airport Metro Connector project. The expected revenue operation for the Project is 2020. As of June 30, 2018, \$1.769 billion had been expended.

The **Westside Purple Line Extension Project** is an \$8.68 billion project that will extend the existing Purple Line by 9.07 miles beginning at the Wilshire/Western Station to Westwood/VA Hospital Station. This project consists of three Sections as described below:

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

- > The **Westside Purple Line Extension Section 1 Project** (Project) has an approved LOP budget of \$2.8 billion. The Project will extend 3.92 miles from the existing Wilshire/Western Station to a terminus station at the intersection of Wilshire and La Cienega Boulevards. The Project includes three underground stations, an expansion and modifications to the existing Division 20 Yard and Maintenance Facility, and procurement of 34 heavy rail vehicles. The Design/Build Contract of \$1.6 billion was awarded to Skanska-Traylor-Shea, Joint Venture for the tunneling, subway stations, track work, and systems integration testing. The Design/Build Contract of \$52.8 million was awarded to Clark Construction Group for the construction of Division 20 Rail Maintenance and Operation Facility. This Project has received the FFGA from the FTA and the TIFIA Loan from the USDOT. The Westside Purple Line Extension Section 1 is expected to begin revenue operation in November 2023. As of June 30, 2018, \$1.454 billion has been expended.
- > The **Westside Purple Line Extension Section 2 Project** (Project) has an approved Life of Project budget of \$2.4 billion. The Project will extend 2.59 miles from the future Wilshire/La Cienega Station to Century City Constellation. This Project has received the FFGA from the FTA and the TIFIA Loan from the USDOT. The Project includes two underground stations and procurement of 20 heavy rail vehicles. The Design/Build Contract of \$1.4 billion was awarded in April 2017 to Tutor Perini/O&G, a Joint Venture for the tunneling, subway stations, track work, and systems integration. The Project is expected to begin revenue operation in August 2025. As of June 30, 2018, \$574.4 million has been expended.
- > The **Westside Purple Line Extension Section 3 Project** (Project) has an estimated total budget of \$3.66 billion. Metro requested entry into the FTA New Starts Engineering Phase in April 2017. The Section 3 Project will extend 2.56 miles from the future Century City Constellation Station to the Westwood/VA Hospital Station. The Project consists of the design and construction of two underground stations. This Project is anticipated to receive FFGA from the FTA in spring 2019. The Project is expected to begin revenue operation in March 2027. As of June 30, 2018, \$54.2 million has been expended.

LACMTA has executed a contract with Kinkisharyo International, LLC (KI) to procure up to 235 light rail vehicles (LRVs). The current approved LOP budget including the four executed Options is \$972 million. In April 2012, the Board approved a contract with KI to manufacture and deliver 78 new LRVs as base order vehicles. In August 2013, the Board executed Options 1 and 4 of the contract, which included 28 and 69 additional vehicles, respectively. In April 2015, the Board approved to execute Option 2 for an additional 39 vehicles, and Option 3 for another 21 vehicles. The 78 base order vehicles are intended for use on the Foothill Gold Line Extension and the EXPO light rail extension and delivery was completed on April 2017. A portion of the Option 1 of the contract of 28 LRVs will be used on the Crenshaw Light Rail Line expansion project while the remaining, along with all LRVs in Option 4, will be used for system-wide fleet replacement. Options 2 and 3 of the contract are intended for the Regional Connector, future service improvements, and for the replacement of the existing P865 and P2020 fleets. The one hundred twenty nine (129) new P3010 LRVs have been conditionally accepted and placed into revenue service, twenty two (22) at Gold line Foothill Extension line and one hundred seven (107) at the Blue and EXPO lines. As of June 30, 2018, \$585.5 million had been expended.

LACMTA executed contracts for 4 bus procurements in FY18 in addition to 1 bus procurement executed in FY17. These contracts authorized the replacement of up to 1000 transit buses. The configurations of these buses are 40' CNG, 60' CNG, 40' Battery Electric, and 60' battery electric. The electric buses will be the first Zero Emission Vehicles delivered under LACMTA's ambitious plan

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

to convert the entire bus operation to Zero Emission by 2030. The combined LOP budget for all contracts is \$433.8 million. As of June 30, 2018, \$ 10.8 million had been expended.

- > For the 40' CNG buses, the contract was awarded to El Dorado National-California, Inc. for a base order of 295 buses. The pilot bus was delivered to Metro on June 18, 2018. The first production buses are scheduled to start delivery by Q2 of 2019. The Final production buses will be delivered in Q4 of 2019. The current approved LOP budget is \$207.6 million.
- > For the 60' CNG buses, the contract was awarded to New Flyer of America for a base order of 65 buses. The pilot bus is scheduled for delivery in Q1 of 2019. The first production buses are scheduled to start delivery by Q3 of 2019. The Final production buses will be delivered by Q2 of 2020. The current approved LOP budget is \$88.1 million.
- > For the 40' Battery Electric buses, the contract was awarded to BYD Coach & Bus, LLC (BYD) for a base order of 60 buses. These buses will be utilized to electrify the Silver Line. Full electrification is scheduled for operation in 2021. The current approved LOP Budget is \$65.9 million.
- > For the 60' Battery Electric buses, two contracts were awarded: One to New Flyer of America for a base order of 40 buses and another to BYD Coach & Bus, LLC (BYD) for 5 buses. These buses will be utilized to electrify the Orange Line. Full electrification is scheduled for operation in 2020. The current approved LOP Budget is \$85.1 million

Additional information on capital assets can be found on page 71.

LONG-TERM DEBT ADMINISTRATION

As of June 30, 2018, LACMTA had a total of \$6,061,303 in long-term debt outstanding. Of this amount, \$4,497,327 related to bonds secured by sales tax revenues, \$97,610 secured by farebox and other general revenues, and \$238,344 related to lease/leaseback obligations. The remaining balance consisted of notes payable of \$580,664 and commercial paper notes and other debt as shown below:

LONG-TERM DEBT
(Amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
Sales tax revenue bonds and refunding bonds	\$4,497,327	\$3,717,200	\$ -	\$ -	\$4,497,327	\$3,717,200
Lease/lease to service obligations	238,344	228,015	-	-	238,344	228,015
General revenue refunding bonds	97,610	105,750	-	-	97,610	105,750
Notes Payable	580,664	567,778	-	-	580,664	567,778
Commercial paper and revolving lines of credit	178,232	194,212	-	-	178,232	194,212
Total long-term debt	5,592,177	4,812,955	-	-	5,592,177	4,812,955
Unamortized bond premium	469,218	393,460	-	-	469,218	393,460
Unamortized bond discount	(92)	(101)	-	-	(92)	(101)
Total long-term debt, net	\$ 6,061,303	\$ 5,206,314	\$ -	\$ -	\$ 6,061,303	\$ 5,206,314

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

Long-term debt increased by \$854,989 due to the issuance of new sales tax revenue bonds, including premium, net of annual payments and amortization, and drawdowns from Measure R sales tax subordinate obligations from approved TIFIA loans. The proceeds were used to partially finance major capital rail construction projects in fiscal year 2018.

During fiscal year 2018, LACMTA issued \$471,395 Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2017-A (Green Bonds) to finance current capital expenditures and to repay short-term borrowings from Proposition A commercial paper notes totaling \$123,693. This resulted in a reduction of the outstanding balance on commercial paper notes and an increase in sales tax revenue bonds. The short-term borrowings temporarily financed immediate cash flow requirements for capital project expenditures.

LACMTA also issued Proposition A Series 2017-B, Proposition A Series 2018-A, and Proposition C Series 2018-A Sales Tax Revenue and Refunding Bonds totaling \$154,310 in principal amount generating a total of \$25,300 in net present value of net cash flow savings over eight years. The bonds were issued at a premium which proceeds were used to refund and defease \$91,110 of Proposition A Series 2011-B, \$17,705 of Proposition A Series 2008-B, and \$68,825 of Proposition C Series 2008-A sales tax revenue and refunding bonds.

The bond refunding resulted in \$8,478 of excess net carrying value over total reacquisition price that is reported under Deferred Inflow of Resources in the business-type activities of the government-wide financial statements and amortized over the shorter of the life of the refunded or the refunding bonds.

In fiscal year 2018, LACMTA made drawdowns of \$55,895, \$258,422, and \$207,000 from approved TIFIA loan for the design and construction of the Regional Connector Transit Corridor, Westside Purple Line Extension Section 1, and Westside Purple Line Extension Section 2 projects, respectively.

The note payable to Bank of America Capital Corporation matured and was fully settled in fiscal year 2018.

BOND RATINGS

LACMTA's bonds are rated by Standard & Poor's, Moody's, Fitch, and Kroll. As of June 30, 2018, the ratings are as follows:

BOND ISSUE TYPE	STANDARD & POOR'S	MOODY'S	FITCH	KROLL (1)
Proposition A First Tier Senior Lien Bonds	AAA	Aa1	n/a	AAA
Proposition C Senior Sales Tax Revenue Bonds	AA+	Aa2	AA	n/a
Measure R Sales Tax Revenue Bonds	AAA	Aa1	n/a	n/a
General Revenue Bonds	AA	Aa2	n/a	n/a

Additional information on LACMTA's long-term debt can be found on pages 99 to 107.

(1) Kroll Bond Rating Agency rates the Proposition A Sales Tax Revenue Refunding Bonds, Series 2018 only.

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The main economic factors affecting LACMTA's financial capacity to deliver transportation programs and projects include:

- > Economic conditions influencing local sales tax revenues
- > Capital grant revenues availability
- > Fuel and labor costs
- > Inflation

The FY19 budget is balanced at \$6.6 billion in total agency expenditures - an increase of 5.2% from the prior year.

For the FY19 budget, every dollar has been linked to one of the agency's five goals:

- > Provide high-quality mobility options that enable people to spend less time traveling
- > Deliver outstanding trip experiences for all users of the transportation system
- > Enhance communities and lives through mobility and access to opportunity
- > Transform Los Angeles County through regional collaboration and national leadership
- > Provide responsive, accountable, and trustworthy governance within the LA Metro organization

The budget assumes the following major revenue sources and expenditures:

Revenue Resources

- > Sales tax and Transportation Development Act (TDA) revenues are expected to grow at 3.4% over the FY18 budget based on historical sales tax growth cycles, nationally recognized forecasting sources and Metro's own experience.
- > State Transit Assistance (STA) revenues for transit operations and capital in FY19 are expected to be \$182.2 million based on State Controller's Office estimates, representing a 203.6% increase over the FY18 budget. The large increase is due to new Senate Bill 1 (SB 1) funds, which will supplement existing STA revenues and provide funding for the new STA State of Good Repair program.
- > Fare revenues are assumed to remain flat in FY19, paralleling FY18 ridership projections and fare per boarding. No fare increase is proposed for FY19.
- > ExpressLanes toll revenues are expected to come in at \$62.8 million in FY19, a slight decline of 0.3% from the FY18 budget due to a decrease in violation revenues.
- > Advertising revenues are conservatively budgeted at \$24.7 million for FY19, which is the first year of a new contract.
- > Other revenues are expected to increase by \$20.4 million or 41.1% from FY18 levels due to the addition of CNG credit and Green Fund.
- > Grant reimbursements, sales tax carryover and Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdowns are in line with planned expenditure activities and expected to total \$2.2 billion in FY19.

Expenditures

- > The FY19 budget assumes a 104,081 increase in bus Revenue Service Hours (RSH). A portion of this increase is attributed to minor service adjustments to reduce overcrowding as well as added service during special events. The largest component of the increase is due to the addition of bus bridges to accommodate closures of Blue Line segments for "New Blue," an extensive rehabilitation initiative for our oldest rail line.
- > Rail RSH will increase by 2,172 RSH. This includes the addition of three-car consists on the Gold Line during all hours of operation, as well as extending the Green Line AM peak to begin at 4:00am to address early morning overcrowding. Additional hours have been added to support special events. These increases are offset by concurrent reductions due to segment closures for "New Blue."
- > The Consumer Price Index (CPI), a measure of cost inflation by the Bureau of Labor Statistics, is projected to increase 2.25% over FY18.
- > The FY19 budget includes the addition of 249 Full Time Equivalent (FTEs) to deliver planned bus and rail service, address Measure M and Measure R planning and construction efforts, provide funding oversight, enhance the customer experience and improve Metro facilities.
- > Wage and salary increases and health and welfare benefits for represented employees are based on Board-adopted collective bargaining agreements. A planned salary increase of 4% for non-represented employees is in line with represented employees.

For details of LACMTA's FY18 budget, please visit LACMTA's website at www.metro.net.

FURTHER INFORMATION

This report has been designed to provide our stakeholders with a general overview of LACMTA's financial condition and related issues. Additional information can be obtained by visiting LACMTA's website at www.metro.net.

Statement of Net Position

June 30, 2018 (Amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents - unrestricted	\$ 78,880	\$ 845,996	\$ 924,876
Cash and cash equivalents – restricted	395,994	-	395,994
Investments – unrestricted	274,445	602,304	876,749
Investments – restricted	530,705	-	530,705
Receivables, net	522,095	971,700	1,493,795
Internal balances	72,092	(72,092)	-
Inventories	62,320	-	62,320
Prepaid and other current assets	8,064	9	8,073
Lease accounts	238,344	-	238,344
Capital assets:			
Land and construction in progress	6,406,810	749,457	7,156,267
Other capital assets, net of depreciation	7,452,816	-	7,452,816
TOTAL ASSETS	16,042,565	3,097,374	19,139,939
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	201,476	-	201,476
Deferred outflows related to OPEB	30,671	-	30,671
TOTAL DEFERRED OUTFLOWS OF RESOURCES	232,147	-	232,147
LIABILITIES			
Accounts payable and accrued liabilities	436,009	340,419	776,428
Accrued interest payable	77,534	-	77,534
Pollution remediation obligation	11,134	-	11,134
Unearned revenues	20,457	51,338	71,795
Other liabilities	16,744	742	17,486
Long-term liabilities:			
Due within 1 year	422,108	-	422,108
Due in more than 1 year	7,912,605	-	7,912,605
TOTAL LIABILITIES	8,896,591	392,499	9,189,090
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on debt refunding	285	-	285
Deferred inflows related to pension	8,231	-	8,231
Deferred inflows related to OPEB	311,372	-	311,372
TOTAL DEFERRED INFLOWS OF RESOURCES	319,888	-	319,888
NET POSITION			
Net investment in capital assets	8,328,321	749,457	9,077,778
Restricted for:			
Debt service	536,936	-	536,936
Proposition A ordinance projects	-	127,125	127,125
Proposition C ordinance projects	-	178,945	178,945
Measure R ordinance projects	-	414,565	414,565
Measure M ordinance projects	-	429,568	429,568
TDA and STA projects	-	302,434	302,434
Other nonmajor governmental projects	-	146,676	146,676
Unrestricted (deficit)	(1,807,024)	356,105	(1,450,919)
TOTAL NET POSITION	\$ 7,058,233	\$ 2,704,875	\$ 9,763,108

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	PROGRAM REVENUES				NET (EXPENSE) REVENUE & CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
FUNCTIONS / PROGRAMS							
Business-type activities:							
Bus and rail operations	\$ 2,363,719	\$ 324,736	\$ 327,664	\$ 664,403	\$ (1,046,916)	\$ -	\$ (1,046,916)
Union Station operations	8,400	9,792	-	-	1,392	-	1,392
Toll operations	31,905	69,887	-	-	37,982	-	37,982
Total business-type activities	2,404,024	404,415	327,664	664,403	(1,007,542)	-	(1,007,542)
Governmental activities:							
Transit operators programs	345,473	-	-	-	-	(345,473)	(345,473)
Local cities programs	749,990	-	-	-	-	(749,990)	(749,990)
Congestion relief operations	41,407	-	-	-	-	(41,407)	(41,407)
Highway projects	220,443	-	186	-	-	(220,257)	(220,257)
Regional multimodal capital programs	104,298	-	2,189	-	-	(102,109)	(102,109)
Paratransit programs	114,027	-	-	-	-	(114,027)	(114,027)
Other transportation subsidies	118,119	-	-	-	-	(118,119)	(118,119)
General government	142,462	18,269	81,463	-	-	(42,730)	(42,730)
Total governmental activities	1,836,219	18,269	83,838	-	-	(1,734,112)	(1,734,112)
Total	\$ 4,240,243	\$ 422,684	\$ 411,502	\$ 664,403	\$ (1,007,542)	\$ (1,734,112)	\$ (2,741,654)
General revenues:							
Sales tax	-	-	-	-	-	3,931,132	3,931,132
Investment income	12,385	-	-	-	12,385	21,533	33,918
Net appreciation (decline) in fair value of investments	2,057	-	-	-	2,057	(5,891)	(3,834)
Gain (loss) on disposition of capital assets	-	-	-	-	-	970	970
Miscellaneous	13,024	-	-	-	13,024	52,883	65,907
Total general revenues	27,466	-	-	-	27,466	4,000,627	4,028,093
Transfers	-	-	-	-	1,767,897	(1,767,897)	-
Change in net position	787,821	-	-	-	787,821	498,618	1,286,439
Net position – beginning of year	-	-	-	-	7,226,457	2,206,257	9,432,714
Implementation of GASB 75 (Note Q)	(956,045)	-	-	-	(956,045)	-	(956,045)
Net position – beginning of year, as restated	6,270,412	-	-	-	6,270,412	2,206,257	8,476,669
Net Position – end of year	\$ 7,058,233	\$ 2,704,875	\$ 411,502	\$ 664,403	\$ 7,058,233	\$ 2,704,875	\$ 9,763,108

The notes to the financial statements are an integral part of this statement.

**Balance Sheet
Governmental Funds**

June 30, 2018 (Amounts expressed in thousands)

Reconciliation of the Balance Sheet to the Statement of Net Position — Governmental Activities

June 30, 2018 (Amounts expressed in thousands)

	MAJOR FUNDS							NONMAJOR FUNDS	TOTAL GOVT FUNDS
	GENERAL FUND	SPECIAL REVENUE FUNDS						OTHER GOVT FUNDS	
		PROP A	PROP C	MEASURE R	MEASURE M	TDA	STA		
ASSETS									
Cash and cash equivalents – unrestricted	\$ 195,685	\$ 17,930	\$ 29,620	\$ 179,800	\$ 144,943	\$ 149,951	\$ 66,803	\$ 61,264	\$ 845,996
Investments – unrestricted	179,084	16,533	27,312	165,792	133,649	-	-	79,934	602,304
Receivables:									
Sales tax	-	182,220	182,221	182,054	184,662	90,887	47,866	10,585	880,495
Accounts	3,564	-	-	-	-	-	-	874	4,438
Interest	1,090	59	30	1,670	656	955	266	105	4,831
Intergovernmental	11,638	-	41,459	3,412	-	-	-	25,427	81,936
Due from other funds	28,361	-	4	-	-	21,717	38	-	50,120
Prepaid and other assets	9	-	-	-	-	-	-	-	9
TOTAL ASSETS	\$ 419,431	\$ 216,742	\$ 280,646	\$ 532,728	\$ 463,910	\$ 263,510	\$ 114,973	\$ 178,189	\$ 2,470,129
LIABILITIES									
Accounts payable and accrued liabilities	\$ 20,755	\$ 54,321	\$ 100,200	\$ 117,343	\$ 34,342	\$ 10,290	\$ 2,655	\$ 513	\$ 340,419
Due to other funds	22,026	35,296	-	-	-	56,215	6,889	1,786	122,212
Unearned revenues	16,986	-	-	-	-	-	-	28,985	45,971
Other liabilities	742	-	-	-	-	-	-	-	742
TOTAL LIABILITIES	60,509	89,617	100,200	117,343	34,342	66,505	9,544	31,284	509,344
DEFERRED INFLOWS OF RESOURCES									
Deferred revenues	4,364	-	1,501	820	-	-	-	229	6,914
TOTAL DEFERRED INFLOWS OF RESOURCES	4,364	-	1,501	820	-	-	-	229	6,914
FUND BALANCES									
Nonspendable	9	-	-	-	-	-	-	-	9
Restricted	25,750	127,125	178,945	414,565	429,568	197,005	105,429	146,676	1,625,063
Committed	14,250	-	-	-	-	-	-	-	14,250
Assigned	35,168	-	-	-	-	-	-	-	35,168
Unassigned	279,381	-	-	-	-	-	-	-	279,381
TOTAL FUND BALANCES	354,558	127,125	178,945	414,565	429,568	197,005	105,429	146,676	1,953,871
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 419,431	\$ 216,742	\$ 280,646	\$ 532,728	\$ 463,910	\$ 263,510	\$ 114,973	\$ 178,189	\$ 2,470,129

Fund balance – total governmental funds (page 36)	\$ 1,953,871
Government capital assets are not financial resources and, therefore, are not reported in the funds.	749,457
Deferred revenues recognized on the Balance Sheet but not reported in the Statement of Net Position - Governmental Activities. These are not available in the current period.	6,914
Governmental funds report revenue only to the extent that it increases current financial resources. However, in the Statement of Activities, revenues are reported when earned. This is the amount of revenue pertaining to future periods.	(5,367)
Net position of governmental activities (page 34)	\$ 2,704,875

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	MAJOR FUNDS							NONMAJOR FUNDS	TOTAL GOVT FUNDS
	GENERAL FUND	SPECIAL REVENUE FUNDS						OTHER GOVT FUNDS	
		PROP A	PROP C	MEASURE R	MEASURE M	TDA	STA		
REVENUES									
Sales tax	\$ -	\$ 836,529	\$ 836,545	\$ 836,721	\$ 826,969	\$ 411,672	\$ 150,940	\$ 31,756	\$3,931,132
Intergovernmental	35,510	-	40,929	7,588	-	-	-	21,700	105,727
Investment income	6,386	629	443	5,965	1,887	4,180	695	1,348	21,533
Net decline in fair value of investments	(1,670)	(189)	(56)	(1,857)	(2,171)	-	-	52	(5,891)
Lease and rental	18,139	-	-	-	-	-	-	-	18,139
Licenses and fines	652	-	-	-	-	-	-	9,681	10,333
Other	62,458	-	-	-	-	-	-	-	62,458
TOTAL REVENUES	121,475	836,969	877,861	848,417	826,685	415,852	151,635	64,537	4,143,431
EXPENDITURES									
Current:									
Administration and other transportation projects	113,139	-	63,529	132,395	4,995	-	-	1,883	315,941
Transportation subsidies	34,481	326,011	451,408	372,929	182,415	146,229	6,803	-	1,520,276
TOTAL EXPENDITURES	147,620	326,011	514,937	505,324	187,410	146,229	6,803	1,883	1,836,217
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,145)	510,958	362,924	343,093	639,275	269,623	144,832	62,654	2,307,214
OTHER FINANCING SOURCES (USES)									
Transfers in	89,639	2,242	51,044	30,720	-	-	-	499	174,144
Transfers out	(158,475)	(520,749)	(449,744)	(321,893)	(209,707)	(222,026)	(49,008)	(10,439)	(1,942,041)
TOTAL OTHER FINANCING SOURCES (USES)	(68,836)	(518,507)	(398,700)	(291,173)	(209,707)	(222,026)	(49,008)	(9,940)	(1,767,897)
NET CHANGE IN FUND BALANCES	(94,981)	(7,549)	(35,776)	51,920	429,568	47,597	95,824	52,714	539,317
Fund balances – beginning of year	449,539	134,674	214,721	362,645	-	149,408	9,605	93,962	1,414,554
FUND BALANCES – END OF YEAR	\$354,558	\$ 127,125	\$ 178,945	\$ 414,565	\$ 429,568	\$ 197,005	\$ 105,429	\$ 146,676	\$1,953,871

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

Net change in fund balances – total governmental funds (page 38)	\$ 539,317
The sale of capital assets is recorded as revenue in governmental funds. However, in the Statement of Activities, the proceeds are recognized as a reduction on the cost of asset sold.	970
Revenues reported in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These deferred revenues are not reported in the current period because they are not available.	6,914
Revenues accrued in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These unearned revenues are not available in the current period.	(48,583)
Change in net position of governmental activities (page 35)	\$ 498,618

**Statement of Net Position
Proprietary Fund — Enterprise Fund**

June 30, 2018 (Amounts expressed in thousands)

**ASSETS & DEFERRED
OUTFLOWS OF RESOURCES**
ASSETS**Current assets:**

Cash and cash equivalents – unrestricted	\$	78,880
Cash and cash equivalents - restricted		101,667
Investments - unrestricted		274,445
Investments - restricted		180,086
Receivables, net		509,733
Inventories		62,320
Due from other funds		72,092
Prepaid and other current assets		8,064

Total current assets		1,287,287
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Noncurrent assets:

Cash and cash equivalents - restricted		294,327
Investments - restricted		350,619
Notes receivable		12,362
Lease accounts		238,344
Capital assets		
Land and construction in progress		6,406,810
Other capital assets, net of depreciation		7,452,816

Total noncurrent assets		14,755,278
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Total Assets		16,042,565
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension		201,476
Deferred outflows related to OPEB		30,671

Total deferred outflows of resources		232,147
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	\$	16,274,712
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**LIABILITIES, DEFERRED
INFLOWS OF RESOURCES,
& NET POSITION**
LIABILITIES**Current liabilities:**

Accounts payable and accrued liabilities	\$	436,009
Accrued interest payable		77,534
Claims payable		76,478
Compensated absences payable		83,470
Bonds and notes payable		262,160
Other current liabilities		16,744

Total current liabilities		952,395
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Noncurrent liabilities:

Claims payable		255,441
Compensated absences payable		23,072
Net pension liability		572,615
Net OPEB liability		1,262,334
Pollution remediation obligation		11,134
Bonds and notes payable		5,799,143
Unearned revenues		20,457

Total noncurrent liabilities		7,944,196
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Total liabilities		8,896,591
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows on debt refunding		285
Deferred inflows related to pension		8,231
Deferred inflows related to OPEB		311,372

Total deferred inflows of resources		319,888
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NET POSITION

Net investment in capital assets		8,328,321
Restricted for debt service		536,936
Unrestricted (deficit)		(1,807,024)

Total net position	\$	7,058,233
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The notes to the financial statements are an integral part of this statement.

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund — Enterprise Fund**

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

OPERATING REVENUES

Passenger fares	\$	300,042
Auxiliary transportation		24,694
Lease and rental		9,792
Toll revenues		69,887
Total operating revenues		404,415

OPERATING EXPENSES

Salaries and wages		650,327
Fringe benefits		392,286
Professional and technical services		274,242
Material and supplies		99,146
Casualty and liability		45,869
Fuel, lubricants, and propulsion power		80,366
Purchased transportation		50,894
Depreciation		599,439
Other		142,875
Total operating expenses		2,335,444

OPERATING LOSS

	(1,931,029)
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NON-OPERATING REVENUES (EXPENSES)

Local grants		19,053
State grants		142
Federal grants		308,469
Investment income		12,385
Net appreciation in fair value of investments		2,057
Interest expense		(69,155)
Gain on disposition of capital assets		575
Other revenue		13,024
Total net non-operating revenues		286,550

LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS

	(1,644,479)
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CAPITAL GRANTS AND CONTRIBUTIONS

Local grants		11,581
State grants		48,034
Federal grants		604,788
Total capital grants and contributions		664,403

TRANSFERS

Transfers in		1,847,100
Transfers out		(79,203)
Total transfers		1,767,897

CHANGE IN NET POSITION

	787,821
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Net position – beginning of year		7,226,457
Implementation of GASB 75 (Note Q)		(956,045)
Net position – beginning of year, as restated	\$	6,270,412

NET POSITION – END OF YEAR

	\$	7,058,233
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The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund — Enterprise Fund

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 422,631
Payments to suppliers	(708,227)
Payments to employees and benefit payments	(970,883)
Net cash used for operating activities	(1,256,479)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Operating transfers from other funds	1,030,599
Federal operating grants received	235,177
State and local operating grants received	9,615
Receipts from other non-operating activities	26
Net cash flows from non-capital financing activities	1,275,417

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from the issuance of debt	1,419,225
Proceeds from disposition of capital assets	643
Federal capital grants received	532,910
State and local capital grants received	86,039
Transfer from other funds for capital project reimbursements	728,722
Payments for matured bonds and notes payable	(522,401)
Acquisition and construction of capital assets	(1,684,803)
Interest paid	(96,483)
Net cash flows from capital and related financing activities	463,852

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturity of investments	16,849,044
Purchase of investments	(17,357,088)
Investment earnings	11,240
Net cash flows used for investing activities	(496,804)

Net decrease in cash and cash equivalents (14,014)

Cash and cash equivalents – beginning of year 488,888

CASH AND CASH EQUIVALENTS – END OF YEAR \$ 474,874

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Operating loss	\$ (1,931,029)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation expense	599,439
Other Non-operating revenue	13,024
Decrease in deferred outflows related to pension	54,289
Increase in deferred outflows related to other post employment plans	(30,671)
Decrease in receivables	3,018
Decrease in prepaid and other current assets	3,783
Decrease in inventories	320
Decrease in accounts payable and accrued liabilities	(22,817)
Increase in pollution remediation obligation	3,739
Increase in compensated absences payable	5,360
Increase in claims payable	20,978
Increase in accrued payroll liabilities	9,301
Decrease in net pension liability	(28,117)
Increase in net OPEB liability	120,961
Decrease in other current liabilities	(20,838)
Decrease in deferred inflows related to pension	(2,272)
Decrease in deferred inflows related to other post employment plans	(57,121)
Increase in unearned revenues and other credits	2,174
Total adjustments	674,550
Net cash used for operating activities	\$ (1,256,479)

Non-cash investing, capital & financing activities

Capital assets included in accounts payable and accrued liabilities	\$ 308,388
Capital grants and contributions included in intergovernmental receivable	\$ 224,730
Bond premium/discount amortization	\$ 52,164
Interest accretion on loans included in capital assets	\$ 29,060
Interest accretion on lease/leaseback obligations	\$ 11,390
Net appreciation in fair value of investments	\$ 2,057
Gain on disposition of capital assets	\$ 575

Statement of Fiduciary Net Position — Employee Retirement and OPEB Trust Funds

June 30, 2018 (Amounts expressed in thousands)

ASSETS	
Cash and cash equivalents	\$ 9,612
Investments:	
Bonds	224,337
Domestic stocks	233,747
Non-domestic stocks	9,033
Pooled investments	1,402,645
Receivables:	
Member contributions	1,630
Securities sold	9,818
Interest and dividends	1,922
Prepaid items and other assets	40
Total assets	1,892,784
LIABILITIES	
Accounts payable and other liabilities	1,861
Securities purchased	21,080
Total liabilities	22,941
NET POSITION RESTRICTED FOR PENSIONS AND OPEB	
Held in trust for pension and OPEB benefits	\$ 1,869,843

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position — Employee Retirement and OPEB Trust Funds

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

ADDITIONS	
Contributions:	
Employer	\$ 91,086
Member	32,511
Total Contributions	123,597
From investing activities:	
Net appreciation in fair value of investments	134,932
Investment income	24,984
Investment expense	(6,135)
Other income	555
Total investing activities	154,336
Total additions	277,933
DEDUCTIONS	
Retiree benefits	124,164
Administrative expenses	1,787
Total deductions	125,951
Net increase in net position	151,982
Net Position – beginning of year	1,717,861
NET POSITION – END OF YEAR	\$ 1,869,843

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

June 30, 2018

The notes to the financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.

Unless otherwise stated, all dollar amounts are expressed in thousands.

INDEX	Page No.
I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	47
B. Government-wide and Fund Financial Statements	48
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation	48
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position	51
E. Effects of New Pronouncements	56
II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A. Budgetary Information	60
B. Encumbrances	60
III. DETAILED NOTES ON ALL FUNDS	
A. Cash and Investments	62
B. Receivables	68
C. Internal Balances	69
D. Capital Assets	71
E. Long-Term Liabilities	72
F. Claims Payable (Risk Management)	72
G. Compensated Absences	74
H. Deferred Compensation Plans	75
I. Employees' Retirement Plans	76
J. Other Postemployment Benefits (OPEB)	87
K. Pollution Remediation Obligation	98
L. Long-Term Debt	99
M. Leases	110
N. Capital and MOU Commitments	111
O. Joint Powers	112
P. Litigation and Other Contingencies	113
Q. Implementation of GASB 75	113
R. Subsequent Events	113

Notes to the Financial Statements

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. REPORTING ENTITY**

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a 14-member Board of Directors (Board). The Board is comprised of five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County and a non-voting member appointed by the Governor of the State of California.

Management has prepared LACMTA's financial statements and those of its blended component units. The blended component units discussed below are included as part of the reporting entity because they are financially accountable upon LACMTA and because LACMTA's approval is needed for the units to expend their budgets or charges and issue long-term debt. Although they are legally separate entities, the blended component units are in substance part of LACMTA's operations and data from these units are combined with LACMTA's financial data.

LACMTA administers the activities of the Public Transportation Service Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), Crenshaw Project Corporation (CPC) and the Service Authority for Freeway Emergencies (SAFE) and includes the activities of these organizations in the accompanying financial statements. PTSC, PRMA and EXPO provide services exclusively to LACMTA. LACMTA shares its governing board with CPC and SAFE and the management of LACMTA has operational responsibility for both CPC and SAFE. PTSC, PRMA, EXPO and CPC are presented and reported in the business activity type funds and SAFE is reported in the governmental fund type. Additional detailed financial information for each of these entities can be obtained from LACMTA's Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at www.metro.net.

PTSC was created in August 1997 to conduct activities essential to the provision of public transportation in and around Los Angeles County. To achieve this goal, LACMTA entered into an acquisition agreement under which the planning, programming, administrative, operational management and construction functions of LACMTA were transferred to and acquired by PTSC. Under this agreement, these functions are provided by PTSC and funded by LACMTA.

PRMA was established in October 1998 for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA provides workers' compensation coverage for all LACMTA and PTSC employees and provides public liability and property damage insurance coverage for all LACMTA properties.

EXPO was established in February 2006 for the purpose of constructing the Exposition Light Rail Line, the newest extension of the 95-station Metro Rail system. The first phase of the project runs 8.6 miles from the Metro Rail Station at 7th and Flower Streets in downtown Los Angeles to Washington and National Boulevards in Culver City. The second phase is approximately 6.6 miles and is continuing from the Phase 1 terminus in Culver City to 4th Street and Colorado Avenue in the City of Santa Monica. The first phase of the project commenced revenue operations in April 2012. The second phase commenced revenue operations in May 2016.

CPC was established in March 2012 for the purpose of securing a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Crenshaw/LAX Corridor project. This project covers the design and construction of a new 8.5 mile double-track light rail lines with a minimum of six transit stations and a full service maintenance facility known as "Southwestern Yard." The Crenshaw/LAX Corridor project will extend from the EXPO Line at the intersection of Exposition and Crenshaw Boulevards and the Green Line near the existing Aviation/LAX station.

Notes to the Financial Statements

June 30, 2018

SAFE was established in 1988 under the authority of the California Legislature to provide emergency aid to motorists on freeways and expressways within Los Angeles County.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

LACMTA's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, as amended, *Financial Statements and Management's Discussion and Analysis for State and Local Governments*, consist of government-wide statements, including a Statement of Net Position and a Statement of Activities and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. Business-type activities, which rely to a significant extent on fees and charges for services, are reported separately from governmental activities, which normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included within the program revenues are reported as general revenues. Certain indirect costs are included in the reported program expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. However, intra-activity billing for services provided and used is not eliminated in the process of consolidation.

Separate fund financial statements are provided for proprietary funds, governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and contributions are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements also use the accrual basis of accounting and are reported using the economic resources measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LACMTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented. Transportation subsidies are recorded when all of the eligibility requirements have been met, including the receipt of the reimbursement request. Long-term debt is recorded only when payment is due.

Interest income associated with the current fiscal period is subject to accrual and has been recognized as revenue of the current fiscal period and reported in the government-wide financial statements.

Notes to the Financial Statements

June 30, 2018

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of LACMTA's Enterprise fund are charges to customers for services, rental and toll revenues. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is LACMTA's policy to use restricted resources first. Unrestricted resources are used as they are needed.

Fund Accounting

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: proprietary, governmental and fiduciary, as described below.

The Proprietary fund is used to account for LACMTA's ongoing operations and activities similar to those found in the private sector where the determination of net income is necessary or useful to provide sound financial administration. The Enterprise fund, which accounts for bus and rail operations, the Union Station leasing program and the Metro ExpressLanes operations, is LACMTA's only Proprietary fund.

Bus and rail operations are financed and operated in a manner similar to private businesses where the intent is that costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges and governmental transfers. All major transit operations capital projects are partially funded by proceeds from debt secured by sales tax revenue, State and Federal grants and contributions from the governmental funds. Sales tax secured debt is reported as a liability in the Enterprise fund. The financial resources used to pay the debt principal and interests are reported as contributions from the governmental funds.

Union Station is a hub for rail and bus services. Amtrak, Metrolink, Metro light rail and subway and Metro buses are the major providers of services that operate within Union Station's facilities. There are also private businesses providing food services and general merchandising within Union Station facilities. Union Station's activities associated with the rental of spaces and parking are reported in the Enterprise fund of LACMTA.

Metro ExpressLanes began as a one-year pilot program funded through a federal grant from U.S. Department of Transportation (USDOT). The ExpressLanes convert existing carpool High-Occupancy Vehicle (HOV) to High-Occupancy Toll (HOT) lanes. Metro ExpressLanes consists of 11 miles on the I-110 Harbor Transit-way between Adams Boulevard and Harbor Gateway Transit Center that opened in November 2012 and 14 miles on the I-10 El Monte Bus-way between Alameda Street and I-605 that opened in February 2013. All vehicles using the ExpressLanes are required to have a transponder to access the lanes. Tolls are collected electronically. The activities of Metro ExpressLanes are reported in the Enterprise fund of LACMTA. In April 2014, LACMTA's Board of Directors authorized the conversion of Metro ExpressLanes to a permanent program.

LACMTA reports all operations-related transactions, including capital and related debt, in the Enterprise fund.

Governmental funds are used to account for LACMTA's governmental activities. The measurement focus is the determination of changes in financial position, rather than net income determination. LACMTA uses the following governmental fund types:

Notes to the Financial Statements

June 30, 2018

The General Fund is used to account for those financial resources that are not required to be accounted for in another fund. The General fund is one of LACMTA's major governmental funds.

Special Revenue Funds are used to account for proceeds of specific revenue sources including sales taxes that are legally restricted to expenditures for specified purposes. The following are LACMTA's other major governmental funds:

- > **Proposition A** – This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 1982. Revenues collected are to be allocated: 1) 25% to local jurisdictions for local transit; 2) 35% to be used for construction and operation of rail rapid transit systems; and 3) 40% is allocated to county-wide operators at the discretion of LACMTA.
- > **Proposition C** – The “Los Angeles County Anti-Gridlock Transit Improvement Fund” is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on April 1, 1991. Revenues collected are to be allocated: 1) 5% to improve and expand rail and bus security; (2) 10% for Commuter Rail and construction of transit centers, park-and-ride lots and freeway bus stops; 3) 20% to local jurisdictions for public transit and related services; (4) 25% for essential county-wide transit-related improvements to freeways and state highways; and (5) 40% to improve and expand rail and bus transit county-wide.
- > **Measure R** – The “Traffic Relief and Rail Expansion Ordinance” is used to account for the proceeds of the voter-approved half-cent sales tax that became effective on July 1, 2009 and continuing to June 30, 2039. Revenues collected are allocated to: (1) 2% for Metro rail capital improvements; (2) 3% for Metrolink capital improvements; (3) 5% for rail operations for new transit projects; (4) 15% for local return; (5) 20% for bus operations allocated using LACMTA's formula allocation procedure (based on vehicle service miles and fare revenue); (6) 20% for highway capital projects; and (7) 35% for specific transit capital projects.
- > **Measure M** – The “Los Angeles County Traffic Improvement Plan” is used to account for the proceeds of the voter-approved half-cent sales tax that became effective July 1, 2017. Measure M is an ordinance authorizing an additional 1/2 of 1% sales tax approved by the voters of Los Angeles County on November 8, 2016 and which continued the existing Measure R half-cent sales tax rate when Measure R expires on July 1, 2039. Revenues will be allocated as follows: (1) 16% for local returns; (2) 35% for Metro rail capital - new rail; (3) 1% for Metrolink capital improvements; (4) 17% for highway construction; (5) 25% for rail and bus operations; (6) 2% for state of good repair; (7) 2% for ADA paratransit; and (8) 2% for active transportation program.
- > **Transportation Development Act (TDA)** – This fund is used to account for revenues received from the State as part of the Transportation Development Act and are paid out to various transit operators, including LACMTA, for operating and capital uses.
- > **State Transit Assistance (STA)** – This fund is used to account for revenue received from the State Transit Assistance Program under the Transportation Development Act formulas that determine the allocation of the proceeds among eligible recipients. Under the provisions of the “Gas Tax Swap” enacted in 2010, the STA program is funded by an excise tax on diesel fuel and based on actual consumption of diesel fuel rather than an annual budget appropriation.

LACMTA also has the following nonmajor Special Revenue funds:

- > **Service Authority for Freeway Emergencies (SAFE)** – This fund is used to account for revenues received from the State Department of Motor Vehicles, generated by a \$1 per car registration fee in Los Angeles County to improve freeway emergency response programs including call box operations.

Notes to the Financial Statements

June 30, 2018

- > **Other Special Revenue funds** – This fund is used to account for specific revenue sources related to funds not classified as major Special Revenue funds.

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity or as an agent for individuals, other governmental units, or other funds. Fiduciary funds include the following pension and other employee benefit trust funds:

- > **Employees' Retirement Trust funds** account for the assets of the five defined-benefit pension plans that LACMTA administers and are accounted for in essentially the same manner as the proprietary funds.
- > **Other Postemployment Benefits (OPEB) Trust funds** account for the resources held in trust by LACMTA for the other postemployment benefits of members and beneficiaries not offered as an integral part of a pension plan.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Cash and Investments

LACMTA applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. Investments are stated at fair value based on the fair value hierarchy. The net appreciation (decline) in fair value of investments is shown in the Statement of Revenues, Expenditures and Changes in Fund Balances for all governmental fund types and in the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary fund.

> Cash and Cash Equivalents

LACMTA considers all highly liquid investments with maturities of 90 days or less from the acquisition date to be cash and cash equivalents because they are readily convertible to known amounts of cash and are so near their maturity that they present an insignificant risk of change in value. State statutes and LACMTA's policy allows LACMTA to invest in U.S. Treasury, commercial paper, repurchase agreements and the State Treasurer's Investment pool.

As required by California State statutes, LACMTA is required to deposit surplus STA and TDA cash with the County Treasurer. LACMTA is an involuntary participant in the County Treasurer's external investment pool. Deposits in the cash management pool of the County Treasurer are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of principal.

> Restricted Cash and Cash Equivalents

Certain cash and cash equivalents are restricted as these assets are either advances used for specific purpose with the balance being refunded upon project completion or funds restricted for debt service.

> Restricted Investments

Certain investments are classified as restricted on the Statement of Net Position because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

> Non-current Restricted Cash, Cash Equivalents and Investments

In accordance with GASB 62, certain restricted cash, cash equivalents and investments are non-current as these funds are restricted as to withdrawal or use for other than current operations, for disbursement in the acquisition or construction of non-current assets, or for the liquidation of long-term debt.

Notes to the Financial Statements

June 30, 2018

Receivables

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experiences. Most of the receivables from Federal agencies are amounts funding projects for major bus and rail, planning, capital acquisition, construction and operating assistance. State receivables involve funding for construction of various highways in partnership with the California Department of Transportation. Local receivables arise from certain local cities and municipalities who partner with LACMTA for certain projects that affect their local corridors.

Internal Balances

All outstanding balances between funds at the end of the fiscal year are referred to as “due to/ from other funds” on the fund financial statements. Generally, the effect of the interfund activity within the governmental funds has been removed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories and Prepaid Items

Inventories, consisting primarily of bus and rail vehicle parts, are valued at weighted average cost. Inventory items of governmental funds are recorded as expenditures when consumed. Certain payments to vendors applicable to future accounting periods are recorded as prepaid items.

Capital Assets

Capital assets are reported in the applicable business-type or governmental activities in the government-wide financial statements. Capital assets are defined by LACMTA as assets with an initial individual cost of more than \$5,000 (amount not in thousands). Such assets are recorded at historical cost if purchased or constructed. If donated, capital assets are recorded at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life is expensed.

Capital assets are carried at cost and depreciated using the straight-line method based on the estimated useful life of the assets as follows:

ASSET TYPE	USEFUL LIFE IN YEARS
Buildings and improvements	30
Rail cars	25
Buses	7 – 14
Equipment and other furnishings	5 – 10
Other vehicles	5

Proprietary fund capital assets acquired with federal, state and local capital grants are included in the Statement of Net Position. Depreciation on these capital assets is included in the accompanying Statement of Revenues, Expenses and Changes in Fund Net Position.

Notes to the Financial Statements

June 30, 2018

Compensated Absences

It is LACMTA’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave in the governmental fund. All vacation and sick leave pay is accrued when earned in the Government-wide and Proprietary fund financial statements. Accumulation and payment of vacation and sick leave is based on the collective bargaining agreements with the various unions.

Employees’ Retirement Plans

LACMTA provides pension benefits that cover substantially all full-time employees through five self-administered single-employer defined benefit pension plans and an agent multiple-employer plan administered by the California Public Employees’ Retirement System (CalPERS). Four of the self-administered single-employer defined benefit pension plans are restricted to specific union members, while the fifth provides benefits to Non-Contract employees and Teamsters.

For financial reporting purposes, the CalPERS administered Miscellaneous Plan and the five LACMTA self-administered Retirement Plans’ net pension liability is measured by the pension plans’ total pension liability at the close of the last fiscal year and rolled forward from information based on the actuarial valuation reports dated no more than twenty-four months prior to the current fiscal year end.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pension, and pension expenses, information about the fiduciary net position of the Plan(s) and additions to/deductions from the fiduciary net position have been determined on the same basis they are reported to the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Additional detailed information on LACMTA’s Employees’ Retirement Plans can be found on pages 76-86.

Other Postemployment Benefits Trust Fund

On February 22, 2007, the LACMTA Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust (“Plan”). The Plan is a single-employer, defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance, and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA to Non-contract employees and employees represented by AFSCME and the Teamsters, and the contractual obligations to the respective Union Health & Welfare Trusts for employees represented by ATU, TCU, and SMART-TD. Generally, eligibility for coverage is based on employee’s service and age.

For financial reporting purposes, the net OPEB liability is measured by the OPEB Trust’s total OPEB liability at the close of the last fiscal year and rolled forward from information based on actuarial reports dated no more than twenty-four months prior to the current fiscal year end. LACMTA’s funding policy is to contribute the direct “pay-as-you-go” cost as determined by required premium/claim payments and union healthcare trust contractual contributions, plus \$5,000. Assets are held in trust separately from the LACMTA and may be used only for the payment of benefits to the members.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan(s) and additions to/deductions from the fiduciary net position have been determined on the same basis they are reported to the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Notes to the Financial Statements

June 30, 2018

Long-term Obligations

In the government-wide and Proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities, net of related original issue premiums and discounts. Bond issue costs are reported as current period costs and accounting gains and losses resulting from refunding of debts are reported as deferred outflows of resources or deferred inflows of resources in conformity with GASB 65. In the governmental fund financial statements, bond issuance costs and refunding gains/losses are recognized as current period expenditures.

Deferred Outflows/Inflows of Resources Related to Pensions

Most changes in net pension liability are required to be included in pension expense in the period of the change such as service cost, interest on the total pension liability and changes in benefit terms. The following changes in net pension liability are not included in pension expense as of the beginning of the measurement period and are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions:

1. Changes in total pension liability arising from differences between expected and actual experience with regard to economic or demographic factors.
2. The effects of changes in assumptions about future economic or demographic factors or of other inputs.
3. Differences between projected and actual investment earnings on pension plan investments.

The amounts in items 1 and 2 are recognized as pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period. Item 3 is recognized as pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report LACMTA's contributions to CalPERS and the Employees Retirement Plans subsequent to the measurement date of the net pension liability. They will be recognized as a reduction of the net pension liability in the next fiscal year.

Deferred Outflows/Inflows of Resources Related to OPEB

Deferred outflows and deferred inflows of resources represent the unamortized portion of (1) the difference between expected and actual experience, (2) the changes in assumptions, and (3) the difference between expected and actual earnings on OPEB Plan investments.

Net OPEB expense is recognized for the service costs, interest costs, administrative expenses, and expected investment return actuarially determined as of the measurement date. Employer contributions to the OPEB Plan subsequent to the measurement date but before the end of the current fiscal year are recorded as deferred outflows of resources in the current fiscal year.

The difference between expected and actual experience, and the changes in assumptions are amortized over the average future working life expectancy.

Deferred Outflows/Inflows of Resources on Debt Refunding

LACMTA issues sales tax revenue refunding bonds by refinancing previously issued sales tax revenue bonds and/or commercial paper notes, generally to achieve debt service costs savings, to restructure the repayment of a debt, to change the type of instruments being used, or to retire an indenture in order to remove undesirable covenants when more favorable interest rates or financing terms become available.

In refunding debt resulting in the legal defeasance of the old debt, the difference in the carrying value of the refunded debt and its reacquisition price is reported as deferred outflows or deferred inflows of resources in the Statement of Net Position and amortized over the life of the old or the new debt, whichever is shorter.

Notes to the Financial Statements

June 30, 2018

Deferred Revenues

National Council on Governmental Accounting (NCGA) Statement 1 provides that revenues and other governmental fund financial resources should be recognized in the accounting period in which they become both measurable and available. GASB 65 provides that when an asset is recorded in the governmental fund financial statements but the revenue is not available, a deferred inflow of resources should be reported until it becomes available.

LACMTA considers receivables that are not collected within 90 days from the close of the fiscal year as revenues that are not available in the current year and therefore, not susceptible to accrual. These represent governmental revenues for grants receivable from federal, state and local sources that are reported as deferred revenues in the governmental fund financial statements in the current year and recognized as revenue in the subsequent periods as they become available.

Unearned Revenues

In the Government-wide and Proprietary fund financial statements, unearned revenues are resource inflows that do not meet the criteria for revenue recognition. Unearned revenues arise when resources are received by LACMTA before it has a legal claim to them, such as grant monies received prior to the incurrence of the qualifying expenditures, the presale of passes and tokens and others. When revenue recognition criteria are met, or when LACMTA has a legal claim to the resources, unearned revenue is removed from the Statement of Net Position and the revenue is recognized.

Other Revenues

Other revenues in the governmental funds include proceeds from the sale of Low Carbon Fuel Standard (LCFS) credits, sale of surplus land, CNG tax credits, and other miscellaneous revenues.

Fund Balances

LACMTA reports its fund balances in various categories based on the nature of the limitations requiring the use of resources for specific purpose. LACMTA classifies its governmental fund balances into:

- > **Nonspendable fund balances** include amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact. Prepayments and inventories in the governmental funds are included in the nonspendable fund balances.
- > **Restricted fund balances** include amounts that can be spent only for specific purposes stipulated by enabling legislation, by the grants, by the creditors, or by the regulations of other governments. Propositions A, C and Measure R sales taxes are restricted by the ordinances that created the taxes. Funds received from TDA, STA, SAFE, and other grants are restricted by the grantors providing the funds.
- > **Committed fund balances** are amounts that can be used only for specific purposes imposed by a formal action of the LACMTA's Board of Directors, the primary government's highest decision-making authority. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specific use of the funds.
- > **Assigned fund balances** are amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the LACMTA's board policy, contracts that are \$1,000 or less can be approved and assigned by the Chief Executive Officer or his designee.
- > **Unassigned fund balances** are the residual classification for the General fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund.

Notes to the Financial Statements

June 30, 2018

The Board establishes, modifies, or rescinds fund balance commitments by passage of resolution. LACMTA adopted the GASB 54 criteria and determined that a resolution is binding and that action can establish a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year. In circumstances when an expenditure is made for a purpose for which amounts are available from multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and then unassigned.

E. EFFECTS OF NEW PRONOUNCEMENTS

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 75 directs governments to report a liability on their financial statements for their retiree benefits. It requires governments in all types of retiree benefit plans to present additional disclosures and supplementary information (RSI) about their retiree benefit liabilities. The requirements of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. LACMTA implemented the new reporting requirements for the fiscal year ended June 30, 2018 resulting to a prior period adjustment as discussed in Note Q.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The provisions of this statement were not applicable to LACMTA as of June 30, 2018.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and the corresponding deferred outflows of resources for AROs. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting period beginning after June 15, 2018. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2019, if applicable.

Notes to the Financial Statements

June 30, 2018

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (a) pension (and other employee benefit) trust funds, (b) investment trust funds, (c) private-purpose trust funds, and (d) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. The requirements of this statement are effective for reporting period beginning after December 15, 2018. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2020, if applicable.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and pensions and other postemployment benefits (OPEB). Specifically, this Statement addresses the following topics: (a) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation; (b) reporting amounts previously reported as goodwill and "negative" goodwill; (c) classifying real estate held by insurance entities; (d) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; (e) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; (f) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus; (g) recognizing on-behalf payments for pensions or OPEB in employer financial statements; (h) presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB; (i) classifying employer-paid member contributions for OPEB; (j) simplifying certain aspects of the alternative measurement method for OPEB; and (k) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The requirements of this statement are effective for reporting period beginning after June 15, 2017. LACMTA implemented the new reporting requirements for the fiscal year ended June 30, 2018. There was no impact on the changes in fund balance or net position as a result of the adoption of this statement.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to provide guidance for the accounting of in-substance debt defeasance where existing resources – as opposed to the proceeds of refunding debt – are used to fund an irrevocable trust. The debt will be considered defeased whether the trust is funded with existing resources or refunding debt proceeds. However, in the financial statements using the economic resources measurement focus, governments must recognize any difference between the reacquisition price (the amount placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of defeasance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Notes to the Financial Statements

June 30, 2018

LACMTA implemented the new reporting requirements for the fiscal year ended June 30, 2018. There was no impact on the changes in fund balance or net position as a result of the adoption of this statement.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflows of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2021.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before The End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported

Notes to the Financial Statements

June 30, 2018

in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2021.

In August 2018, GASB issue Statement No. 90, *Majority Equity Interest - An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2020.

Notes to the Financial Statements

June 30, 2018

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. BUDGETARY INFORMATION**

The budget cycle begins in August when the capital call process is initiated. This involves identifying capital needs for the coming fiscal year's budget and reviewing and prioritizing the requests. The capital budget process is usually concluded by the end of November or early December.

In December, the CEO establishes or updates core missions and objectives for the coming fiscal year budget. Between January and February, LACMTA submits budgeted planning parameters to the Board outlining basic assumptions to be used in preparing the coming year's annual budget. In February or March of each year, all LACMTA departments submit requests for appropriations to management so that an operational and capital projects budget can be prepared.

The Office of Management and Budget (OMB) works with the requesting departments to finalize the annual budget request and begins the process of "selling" the proposed budget drafts to Board staff from mid-March through early April. In late April, OMB prepares the Proposed Budget book and posts the final version to the metro.net website at least two weeks prior to the public hearing in May. The proposed budgets are submitted to the Board in mid-May for review and adoption. Prior to adoption, the Board conducts public hearings in May for discussion of the proposed annual budgets. The Board adopts the final budget at the conclusion of the hearings, which is planned to occur in late May, but no later than June 30.

Enabling legislation and adopted policies and procedures provide that LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles (GAAP) for all governmental and proprietary funds. The Board also approves the Life of Project budget whenever new capital projects are approved. All non-capital appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, cost center, expense type, and project.

The legal level of control is at the fund level and the Board must approve additional appropriations. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Quarterly updates for operating and capital expenditures are submitted to the Board. Budget amendments are made when needed.

B. ENCUMBRANCES

Encumbrance accounting is employed in the General and Special Revenue governmental funds. Under this method, purchase orders, contracts, Memoranda of Understanding (MOU), and other commitments outstanding at year-end are reported as committed or assigned fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent years' appropriations.



Notes to the Financial Statements

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

As of June 30, 2018, the following are LACMTA's cash and investments:

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Cash deposits	\$ 44,797	\$ 12,472	\$ 57,269
State/county investment pool	-	369,479	369,479
Debt securities:			
Medium term notes	96,609	108,701	205,310
Mortgage backed securities	-	19,836	19,836
Commercial paper	-	137,505	137,505
Asset backed securities	31,847	14,949	46,796
Fixed income:			
Mutual funds and marketable securities	465,499	151,590	617,089
U.S. Agencies securities	100,516	349,707	450,223
U.S. Treasury obligations	540,756	284,061	824,817
Total cash and investments	\$ 1,280,024	\$ 1,448,300	\$ 2,728,324

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Reported in the Statement of Net Position and Balance Sheet			
Cash and cash equivalents – unrestricted, current	\$ 78,880	\$ 845,996	\$ 924,876
Cash and cash equivalents – restricted, current	101,667	-	101,667
Investments – unrestricted, current	274,445	602,304	876,749
Investment – restricted, current	180,086	-	180,086
Cash and cash equivalents – restricted, noncurrent	294,327	-	294,327
Investments – restricted, noncurrent	350,619	-	350,619
Total cash and investments	\$ 1,280,024	\$ 1,448,300	\$ 2,728,324

Note:

A portion of LACMTA's investments are classified as cash and cash equivalents on the Statement of Net Position and the Balance Sheet based on their maturity date.

Notes to the Financial Statements

June 30, 2018

As of June 30, 2018, the following are LACMTA's investments set forth by level, within the fair value hierarchy:

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES			TOTAL		
	LEVEL 1	LEVEL 2	TOTAL	LEVEL 1	LEVEL 2	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Debt Securities:									
Medium term notes	\$ -	\$ 96,609	\$ 96,609	\$ -	\$ 108,701	\$ 108,701	\$ -	\$ 205,310	\$ 205,310
Mortgage backed securities	-	-	-	-	19,836	19,836	-	19,836	19,836
Commercial paper	-	-	-	-	137,505	137,505	-	137,505	137,505
Asset backed securities	-	31,847	31,847	-	14,949	14,949	-	46,796	46,796
Fixed Income:									
Mutual funds and marketable securities	34,274	431,225	465,499	-	151,590	151,590	34,274	582,815	617,089
U.S. Agencies securities	-	100,516	100,516	-	349,707	349,707	-	450,223	450,223
U.S. Treasury obligations	540,756	-	540,756	284,061	-	284,061	824,817	-	824,817
TOTAL	\$ 575,030	\$ 660,197	\$ 1,235,227	\$ 284,061	\$ 782,288	\$ 1,066,349	\$ 859,091	\$ 1,442,485	\$ 2,301,576

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard is applicable primarily to investments made by state and local governments that defines fair value and describes how fair value should be measured, identifies the assets and liabilities that should be measured at fair value and requires specific information about fair value to be disclosed in the financial statements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the agency has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- > Quoted prices for similar assets or liabilities in active markets;
- > Quoted prices for identical or similar assets or liabilities in inactive markets;
- > Inputs other than quoted prices that are observable for the asset or liability;
- > Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Typically, the fair value reflects management's estimates of assumptions that market participants would use in pricing the asset or liability.

U.S. Treasury obligations and some marketable securities are classified as Level 1 and are valued using prices in active markets for identical assets. Debt securities, mutual funds and marketable securities and U.S. Agencies securities are classified as Level 2 and are valued using inputs that are observable but not active using the market approach. These inputs include matrix pricing models and comparisons to prices of similar assets.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level (in terms of reliability) of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Notes to the Financial Statements

June 30, 2018

Investment Policy

LACMTA internally pools cash deposits and investments. All proprietary and governmental funds maintain an equity interest in the pool. Each fund's positive equity in the internally pooled cash deposits and investments account is presented as cash and investments on the Statement of Net Position and Balance Sheet. Negative equity balances have been reclassified and are reflected as interfund receivables/payables. Interest income earned and expenses incurred as a result of investing are allocated to the various funds based on their average daily balances. For purposes of the Statement of Net Position, Balance Sheet and Statement of Cash Flows, all highly liquid investments, including restricted assets with maturity date of 90 days or less from acquisition date, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

All investments are stated at their fair values. Net changes in the fair values of investments are shown in the Statement of Revenues, Expenses and Changes in Fund Net Position in the Enterprise fund and the Statement of Revenues, Expenditures and Changes in Fund Balances in the Governmental fund. LACMTA's most recent investment policy, adopted by the Board on March 1, 2018, requires LACMTA's investment program to meet three criteria in the order of their importance:

- > **Safety** – preservation of capital, diversification and the protection of investment principal.
- > **Liquidity** – investment portfolios will remain sufficiently liquid to enable LACMTA to meet operating requirements that might be reasonably anticipated.
- > **Return on Investments** – LACMTA will maximize yield on the portfolio consistent with the safety and liquidity objectives.

The table below briefly describes LACMTA's investment policy. LACMTA's investment policy is applicable to the cash deposits and investments. Bond proceeds and debt service investment accounts are governed by LACMTA's debt policy. This table does not address cash deposits and investments held by bond trustees that are governed by the provisions of LACMTA's bond trust agreements.

AUTHORIZED INVESTMENT TYPE	MAXIMUM EFFECTIVE MATURITY	MAXIMUM PERCENTAGE OF PORTFOLIO ⁽¹⁾	MAXIMUM INVESTMENT IN ONE ISSUER	MINIMUM RATINGS
Bonds issued by LACMTA	5 years	100%	100%	None
U.S. Treasury obligations	5 years	100%	100%	None
U.S. Unsecured unsubordinated obligations	5 years	30%	10%	AA
Local Agency within the State of California	5 years	25%	25%	A1 short term or AA long term
U.S. Agency securities	5 years	50%	15%	None
Registered state warrants or treasury notes or bonds of other 49 states	5 years	25%	25%	A1 short term or AA long term
Bankers acceptance	180 days	40%	10%	A1 + /P1 short term
Commercial paper	270 days	25%	10%	A
Negotiable certificates of deposit	5 years	30%	10%	None
Placement Service Assisted Deposits	5 years	30%	10%	None
Repurchase agreements	90 days	20%	20%	None
Medium-term notes	5 years	30%	10%	A
Pooled funds and mutual funds	n/a	20%	10%	AAA
Asset-backed securities	5 years	15% combined with any mortgage-backed securities	15%	AAA
Mortgage-backed securities	5 years	15% combined with any asset-backed securities	15%	AAA
Local Agency Investment Fund (LAIF)	n/a	Set by LAIF	Set by LAIF	n/a
Local Government Investment Pool (LGIP)	n/a	Set by LGIP	Set by LGIP	n/a

(1) The percentage of portfolio authorization is based on market value.

Notes to the Financial Statements

June 30, 2018

LACMTA's investment policy prohibits investing in derivatives or reverse repurchase agreements.

Cash Deposits

As of June 30, 2018, LACMTA's carrying amount of cash comprises \$903 in cash on hand and \$56,366 in checking accounts for a combined total of \$57,269. LACMTA's total bank balance was \$60,150 with the difference representing primarily outstanding checks and deposits in transit. Accounts with banks were insured by Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 (amount not in thousands) per financial institution and uninsured amounts are collateralized by securities held by the bank's trust department or its agent in LACMTA's name.

LACMTA is a voluntary participant for its investments with the California Local Agency Investment Fund (LAIF) totaled \$130,000. The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for the LAIF.

The net position value of involuntary participation in Los Angeles County Investment Pool (LACIP) totaled \$239,479 as of June 30, 2018. The County Board of Supervisors provides regulatory oversight for LACIP.

The value of position in the pool for both the LAIF and the LACIP is the same as the LACMTA's value of the pool shares and is reported at amortized cost.

Cash Equivalents and Investments

As of June 30, 2018, LACMTA had the following cash equivalents and investments:

INVESTMENT TYPE	TOTAL	WEIGHTED AVERAGE DURATION (IN YEARS) PER INVESTMENT TYPE	CONCENTRATION OF INVESTMENTS	RATINGS
Asset-backed securities	\$ 46,796	0.0280	2.03%	AAA
Commercial paper	137,505	0.0077	5.98%	Not Rated
Medium-term notes	205,310	0.2204	8.92%	Not Rated to AAA
Mortgage-backed securities	19,836	0.0191	0.86%	Not Rated
Mutual funds and marketable securities	617,089	0.0308	26.81%	Not Rated to AAA
U.S. Agency securities	450,223	0.2127	19.56%	Not Rated to AAA
U.S. Treasury obligations	824,817	0.2161	35.84%	Not Rated to AAA
Total	\$ 2,301,576		100.00%	
Portfolio weighted average duration		0.7348		

The weighted average duration is calculated using the investment's effective duration weighted by the investment's fair value.

Notes to the Financial Statements

June 30, 2018

Risk

In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure - an Amendment of GASB Statement No.3*, certain required disclosures regarding investment policies and practices with respect to credit risk, concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk are discussed in the following paragraphs:

> **Credit Risk**

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer’s ability to make these payments will cause price to decline. The tables above summarize the fair value of investments that are included in the restricted and unrestricted cash and investments and the related credit ratings. LACMTA maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations for its investments.

> **Concentration of Credit Risk**

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed above, LACMTA maintains investment policies that establish thresholds for holdings of individual securities. LACMTA did not have any holdings meeting or exceeding these threshold levels as of June 30, 2018.

As of June 30, 2018, with the exception of investments that are explicitly guaranteed by the U.S. government, LACMTA did not have any investments with more than 5% of the total investments under one issuer except for the following U.S. Agency securities:

	TOTAL	CONCENTRATION OF CREDIT RISK
Federated Treasury	\$ 298,839	12.98%
Federal Home Loan Bank (FHLB)	237,884	10.34%
First American	117,214	5.09%

> **Custodial Credit Risk**

LACMTA has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by governmental securities with a value of 110% of the deposit or by pledging first trust deed mortgage notes having a value of 150% of a governmental unit’s total deposits. LACMTA may waive collateral requirements for deposits that are fully insured up to \$250,000 (amount not in thousands) by the FDIC. All investment securities purchased were held and registered in LACMTA’s name and maintained for the benefit of LACMTA in the trust department or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between LACMTA and the financial institution.

Notes to the Financial Statements

June 30, 2018

> **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. LACMTA measures interest rate risk on its short-term investments using the effective duration method. LACMTA maintains a policy requiring that the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years. This policy does not apply to investments proceeds related to bond financings. LACMTA measures interest rate risk on its bond proceeds and debt service investments using the weighted average maturity method.

> **Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2018, there was no exposure to foreign currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

Notes to the Financial Statements

June 30, 2018

B. RECEIVABLES

Receivables as of June 30, 2018, as shown in the government-wide financial statements, in the aggregate, including the applicable allowance for doubtful accounts related to accounts receivable, are as follows:

RECEIVABLES	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Accounts	\$ 13,357	\$ 4,438	\$ 17,795
Interest	1,261	4,831	6,092
Intergovernmental	496,058	81,936	577,994
Sales Tax	-	880,495	880,495
Notes	12,362	-	12,362
Leases and other	41	-	41
Gross Receivables	523,079	971,700	1,494,779
Less: Allowances for doubtful accounts	(984)	-	(984)
Receivables, net	\$ 522,095	\$ 971,700	\$ 1,493,795

Receivables as of June 30, 2018 for governmental activities by individual major funds and nonmajor funds are as follows:

FUND NAME	RECEIVABLES				
	ACCOUNTS	INTEREST	INTER-GOVERNMENTAL	SALES TAX	TOTAL
General Fund	\$ 3,564	\$ 1,090	\$ 11,638	\$ -	\$ 16,292
Prop A	-	59	-	182,220	182,279
Prop C	-	30	41,459	182,221	223,710
Measure R	-	1,670	3,412	182,054	187,136
Measure M	-	656	-	184,662	185,318
TDA	-	955	-	90,887	91,842
STA	-	266	-	47,866	48,132
Other Governmental	874	105	25,427	10,585	36,991
Total	\$ 4,438	\$ 4,831	\$ 81,936	\$ 880,495	\$ 971,700

PROP A: Proposition A

PROP C: Proposition C

TDA: Transportation Development Act

STA: State Transit Assistance

Notes to the Financial Statements

June 30, 2018

C. INTERNAL BALANCES

The following is a summary of due to/from other funds at June 30, 2018:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS					
	ENTERPRISE FUND	GENERAL FUND	PROP C	TDA	STA	TOTAL
General Fund	\$ 22,026	\$ -	\$ -	\$ -	\$ -	\$ 22,026
Prop A	35,296	-	-	-	-	35,296
TDA	56,215	-	-	-	-	56,215
STA	6,889	-	-	-	-	6,889
Other Govt.	1,786	-	-	-	-	1,786
Enterprise Fund	(122,212)	28,361	4	21,717	38	(72,092)
Total	\$ -	\$ 28,361	\$ 4	\$ 21,717	\$ 38	\$ 50,120

Internal balances represent receivables from/payables owed to a particular fund by another fund for temporary loans, advances, goods delivered or services rendered. The loans will be repaid when sufficient is cash available. Any outstanding balances between the governmental funds and business-type activities were reported in the government-wide statement of net position.

Transfers in and out by fund for the fiscal year ended June 30, 2018 were as follows:

TRANSFERS OUT	TRANSFERS IN						
	ENTERPRISE FUND	GENERAL FUND	PROP A	PROP C	OTHER MEASURE R	GRAND GOVERNMENTAL	TOTAL
General Fund	\$ 148,881	\$ -	\$ -	\$ 3,270	\$ 5,825	\$ 499	\$ 158,475
Prop A	480,531	40,218	-	-	-	-	520,749
Prop C	426,866	20,636	2,242	-	-	-	449,744
Measure M	198,199	3,450	-	8,058	-	-	209,707
Measure R	317,537	3,851	-	505	-	-	321,893
TDA	216,639	5,387	-	-	-	-	222,026
STA	49,008	-	-	-	-	-	49,008
Other Governmental	9,439	-	-	1,000	-	-	10,439
Enterprise Fund	(79,203) ⁽¹⁾	16,097	-	38,211	24,895	-	-
Grand Total	\$ 1,767,897	\$ 89,639	\$ 2,242	\$ 51,044	\$ 30,720	\$ 499	\$ 1,942,041

The following transfers were made out of funds receiving revenues to the funds where they were spent:

The transfers from the General fund to the Enterprise fund were funding for bus and rail operations and maintenance costs, and capital expenditures for the Union Station renovation, Crenshaw/LAX Transit Corridor, Regional Connector, and the Westside Subway extension section 2 projects. Transfers to the Proposition C fund were funding for debt service management and administration costs, freeway service patrol operations, planning activities on the Regional Bikeways, and the Caltrans highway maintenance projects. The transfers to the Measure R fund were funding mostly for the planning costs related to the Metro Eastside Extension Phase II, the Green Line Extension, and Regional Downtown Connector projects, and Fund Transit-Oriented Development (TOD) grant program.

PROP A: Proposition A
 PROP C: Proposition C
 TDA: Transportation Development Act
 STA: State Transit Assistance

(1) The amounts represent Enterprise Fund's bond proceeds and Metro ExpressLanes revenue reinvestment program funds used to finance major capital program/planning projects.

Notes to the Financial Statements

June 30, 2018

The Proposition A fund transfers to the Enterprise fund were funding mainly for debt service, and for bus and rail operations and maintenance costs. The transfers to the General fund represents the 5% Prop A administration fees.

The transfers from the Proposition C fund to the Enterprise fund were funding for debt service, bus and rail operations and maintenance costs, and capital expenditures mostly related to the bus midlife program, systems upgrade and replacement of non-revenue vehicles and equipment, the renovation of Union Station and the Patsaouras Plaza Station, and the EXPO Line Phase II projects. The Proposition C fund transfers to the General fund included the 1.50% Proposition C administration fee, and funding for planning activities attributed mostly to the ride share services.

The transfers from the Measure M fund to the Enterprise fund for the bus and rail operations and maintenance costs, and capital expenditures mostly related to the bus midlife program, systems upgrade and acquisition of rail equipment, the construction of Airport Metro Connector, and Westside Subway Extension Section 3 projects. The Measure M fund transfers to the General Fund were funding for planning activities related to Metro's Bike Share, and First/Last Mile programs. The transfers from Measure M fund to the Proposition C fund were funding for commuter rail services.

The transfers from the Measure R fund to the Enterprise fund were funding for debt service, bus and rail operations and maintenance costs, and for capital expenditures for bus midlife program, systems upgrade and replacement of equipment, facilities improvement, and construction of Expo Line Phase II, Crenshaw/LAX Transit Corridor, Westside Purple Line extension section 3, and Goldline Foothill extension projects. The Measure R fund transfers to the General fund were funding for planning activities mostly attributed to the rail-to-rail projects. The transfers from the Measure R fund to the Proposition C fund were funding for commuter services.

Most of the TDA fund transfers to the Enterprise fund were funding for bus and rail operations and maintenance costs, debt service related to the Range Resources Corporation (RRC) Solar System, and capital expenditures for facilities improvement, systems upgrade and replacement of non-revenue vehicles and equipment. The TDA fund transfers to the General fund were funding for planning and administrative costs allocable to the General fund.

The transfers from the STA fund to the Enterprise fund were funding for bus and rail operations and maintenance costs.

The transfers from the Other Governmental funds to the Enterprise fund were funding for capital expenditures mostly for the Emergency Security Operations Center (ESOC) provided by the Proposition 1B Transit Security and Systems fund. The Other Governmental fund transfers to Proposition C fund were funding for the freeway service patrol operations provided by SAFE.

The transfers from the Enterprise fund to the General Fund were funding for subsidies under the Metro ExpressLanes Fund's Net Toll Revenue Reinvestment Program. The Enterprise fund transfers to Measure R Fund were funding for subsidies under the I-5 North Highway Occupancy Vehicle (HOV) Lanes program. The transfers from the Enterprise fund to the Proposition C Fund included funding for the planning activities related to regional surface transportation improvement and local transit system management projects.

Notes to the Financial Statements

June 30, 2018

D. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	BALANCE JULY 1, 2017	INCREASES	DECREASES	BALANCE JUNE 30, 2018
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 1,362,478	\$ 99,607	\$ -	\$ 1,462,085
Construction in progress	3,644,111	1,566,552	(265,938)	4,944,725
Total capital assets, not being depreciated	5,006,589	1,666,159	(265,938)	6,406,810
Capital assets, being depreciated:				
Buildings and improvements	11,031,798	59,537	-	11,091,335
Equipment	349,200	39,133	(244)	388,089
Vehicles	2,769,896	269,901	(82,488)	2,957,309
Total capital assets, being depreciated	14,150,894	368,571	(82,732)	14,436,733
Less accumulated depreciation for:				
Buildings and improvements	(4,621,560)	(375,974)	-	(4,997,534)
Equipment	(286,778)	(31,756)	216	(318,318)
Vehicles	(1,558,805)	(191,709)	82,449	(1,668,065)
Total accumulated depreciation	(6,467,143)	(599,439)	82,665	(6,983,917)
Total capital assets, being depreciated, net	7,683,751	(230,868)	(67)	7,452,816
Business-type activities capital assets	12,690,340	1,435,291	(266,005)	13,859,626
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	768,977	-	(19,520)	749,457
Governmental activities capital assets	768,977	-	(19,520)	749,457
Total capital assets	\$ 13,459,317	\$ 1,435,291	\$ (285,525)	\$ 14,609,083

Depreciation expense charged to functions and/or programs are as follows:

BUSINESS-TYPE ACTIVITIES	
Bus and rail operations	\$ 593,454
Union Station operations	2,223
Toll operations	3,762
Total depreciation expense – Business-type activities	\$ 599,439

During the fiscal year, the total interest cost incurred amounted to \$194,850 of which \$125,695 has been capitalized and reported in the construction in progress account.

Notes to the Financial Statements

June 30, 2018

E. LONG-TERM LIABILITIES

As discussed in more detail in Notes F, G, I, J and L, the following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2018.

	BALANCE JULY 1, 2017	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2018	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Long-term debt	\$ 5,206,314	\$ 1,430,614	\$ (575,625)	\$ 6,061,303	\$ 262,160
Claims payable	310,941	97,456	(76,478)	331,919	76,478
Compensated absences payable	101,182	91,704	(86,344)	106,542	83,470
Net pension liability	600,732	306,552	(334,669)	572,615	-
Net OPEB liability, as restated	1,558,965	142,149	(438,780)	1,262,334	-
Total business-type activities	\$ 7,778,134	\$ 2,068,475	\$ (1,511,896)	\$ 8,334,713	\$ 422,108

F. CLAIMS PAYABLE (RISK MANAGEMENT)

The primary emphasis of risk management activities at LACMTA is to prevent or reduce the risk of injury to persons and damage to or loss of property. Where losses cannot be prevented, LACMTA endeavors to self-insure or to assume such losses as it may deem advisable and economical, giving due consideration to the frequency and severity of probable losses. The consideration of the effect of potential self-insured or assumed losses is part of LACMTA's financial planning process.

Capital

For its construction projects, LACMTA requires contractors to maintain a contractor controlled insurance program (CCIP) to minimize LACMTA's risk of exposure to construction related losses. These policies provide property, liability, and workers' compensation insurance and cover many of the risks arising from the work of contractors and subcontractors on LACMTA construction projects.

LACMTA purchased a construction project umbrella liability insurance program (super excess general liability policies) that provides additional coverage limits on LACMTA's five major capital projects currently underway. The program provides up to \$550 million in additional coverage over the dedicated limits of insurance provided by each of the Design Build contractors. The Design Build contract values for these projects are approximately \$5.2 billion.

Operations

The reserves for the public liability and property damage and workers' compensation claims are actuarially determined and subject to periodic adjustment as conditions warrant. The reserves are discounted using an average discount rate of 3.0%. LACMTA believes that the estimated liability for self-insured claims as of June 30, 2018 will be sufficient to cover any costs arising from claims filed, or to be filed for incidents that occurred through that date. The liability is based, in part, upon an independent actuarial estimate of reserves required for unsettled claims including losses that have

Notes to the Financial Statements

June 30, 2018

been incurred but not reported and legal expenses but excluding direct administration costs both by LACMTA employees and third party administrators.

LACMTA is partially self-insured for public liability and property damage for non-construction activities up to \$7,500 per occurrence. LACMTA has acquired outside insurance coverage for losses of \$300,000 in excess of self-insurance retentions.

Furthermore, LACMTA has an all-risk property insurance program that covers all of its property. The property insurance policy covers insurable values of approximately \$12.1 billion on a probable maximum loss basis with policy limits of \$400,000 for damages (\$150,000 for flood damages). Earthquake coverage is not included in the current program structure.

LACMTA does not set aside funds to cover potential gaps in property insurance coverage in case of losses. As of June 30, 2018, a designated investment has been set aside in the amount of \$111,907 equal to the property and casualty liabilities.

The workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2018, a designated investment has been set aside in the amount of \$220,012 equal to the workers' compensation liabilities.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the previous year.

The following table summarizes changes in the claims and judgments reserves for the years ended June 30, 2018, and 2017:

	PROPERTY & CASUALTY		WORKERS' COMPENSATION		TOTAL	
	2018	2017	2018	2017	2018	2017
Unpaid claims and claim adjustment reserves – beginning of year	\$ 103,974	\$ 101,103	\$ 206,967	\$ 199,199	\$ 310,941	\$ 300,302
Provisions for insured events	37,209	41,015	60,280	60,547	97,489	101,562
Interest income	(1)	(68)	(32)	(91)	(33)	(159)
Total incurred claims and claims adjustment expense	141,182	142,050	267,215	259,655	408,397	401,705
Payment attributable to insured events	(29,275)	(38,076)	(47,203)	(52,688)	(76,478)	(90,764)
Total unpaid claims and claim adjustment reserves – end of year	\$ 111,907	\$ 103,974	\$ 220,012	\$ 206,967	\$ 331,919	\$ 310,941

As of June 30, 2018, \$76,478 of the total claims liability is considered current. Claims payable is reported in the Statement of Net Position in the Proprietary fund.

Notes to the Financial Statements

June 30, 2018

G. COMPENSATED ABSENCES

LACMTA's and PTSC's contract employees represented by the Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD), the Amalgamated Transportation Union (ATU), the Transportation Communications Union (TCU), the American Federation of State, County and Municipal Employees (AFSCME) and the Brotherhood of Teamsters (Teamsters), accumulate vacation leave pay and sick leave pay in varying amounts based on the collective bargaining agreements with the various unions.

Under the existing collective bargaining agreements, vacation periods are not cumulative. However, employees may carry forward vacation pay of up to 40 hours for TCU and ATU, while 40 hours may be carried forward to the next vacation period for SMART-TD if notice is given by April 1. Otherwise, unused vacation hours earned for the year are paid off on May 31. SMART-TD, TCU, and Teamsters employees may request payment of a limited amount of unused sick leave each year at a rate of 75% of face value. Unused sick leave for contract employees is payable at the rate of 100% of the face value upon retirement or death. LACMTA, PTSC, and EXPO have a combined vacation and sick leave program for NC and AFSCME represented employees. Under this program, vacation and sick leave are combined as time off with pay (TOWP), which accrues at varying rates throughout the year.

Accumulated vacation and sick leave prior to the implementation of TOWP policy on January 1, 1995 were considered frozen and remained on the books as a liability. Frozen vacation may be converted into TOWP once per year at the request of the employee, or will be paid at 100% at retirement, termination, or death. Frozen sick leave may be converted to TOWP prior to retirement at a 75% conversion rate when an employee reaches the age of 55 and has five years or more service. Upon retirement, unused sick pay is paid at 75%, except for those individuals who retire between the ages 50 and 55, wherein the payout rate varies from 50% to 75% depending on the employee's age at retirement. All employees with 30 or more years of service, regardless of age at retirement, have a payout rate at 75%. Upon death, payment of frozen sick leave will be at 100% to the employee's beneficiary. If an employee covered by a collective bargaining agreement accepts a regular NC or AFSCME position, any sick hours that normally would be awarded on the next anniversary date of employment will be prorated and placed in a frozen sick leave account. The normal annual accrual rate is pursuant to the respective collective bargaining agreement. In addition, the amount of prior sick hours earned under a union plan shall be placed in the employee's frozen sick account.

The following is a summary of the compensated absences payable for the year ended June 30, 2018:

	BALANCE JULY 1, 2017	EARNED	USED	BALANCE JUNE 30, 2018	DUE WITHIN ONE YEAR
Union Employees:					
Vacation leave	\$ 31,149	\$ 34,530	\$ (32,769)	\$ 32,910	\$ 32,438
Sick leave	35,554	18,656	(17,008)	37,202	16,978
TOWP	10,156	12,691	(12,205)	10,642	10,448
Sub-total	76,859	65,877	(61,982)	80,754	59,864
Non-Union Employees:					
Vacation leave	315	12	-	327	-
Sick leave	2,002	38	(81)	1,959	81
TOWP	22,006	25,777	(24,281)	23,502	23,525
Sub-total	24,323	25,827	(24,362)	25,788	23,606
Total	\$ 101,182	\$ 91,704	\$ (86,344)	\$ 106,542	\$ 83,470

As of June 30, 2018, \$83,470 of the compensated absences payable is considered current. The compensated absences payable is reported in the Statement of Net Position in the Proprietary fund.

Notes to the Financial Statements

June 30, 2018

H. DEFERRED COMPENSATION PLANS

457 Deferred Compensation Plan - LACMTA, PTSC and EXPO have deferred compensation plans for all employees established in accordance with Internal Revenue Code (IRC) Section 457, which permits employees to defer a portion of their current salary to future years.

Under the plans, employees may contribute up to the lesser of \$18,000 (not in thousands) or 100% of their earnings, in calendar year 2017. A special provision in the law allows an additional \$6,000 (not in thousands) if an employee is 50 years old or older by December 31, 2017. Employees eligible for retirement within three years can also contribute up to an additional \$36,000 (not in thousands). Under the "catch-up provision" if they have not previously participated for some portion of their eligibility period.

The LACMTA 457 Deferred Compensation Plan, the PTSC 457 Deferred Compensation Plan, and the EXPO 457 Deferred Compensation Plan were established by the LACMTA Board of Directors, the PTSC Board of Directors, and EXPO Board of Directors, respectively, which have delegated the authority, power, rights, duties and fiduciary responsibility in administering the plans to the LACMTA/PTSC Joint Defined Contribution Committee.

The plans are managed by a third-party plan administrator and trustee, ICMA Retirement Corporation. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100% vested in the plan, withdrawals are not available to the employee until termination, retirement, death, or unforeseeable emergency. In the opinion of management, LACMTA and PTSC have no liability for any losses under the plan, but do have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the assets of the deferred compensation plan and the related liability to employees are not reported in the accompanying financial statements. LACMTA and PTSC do not match employees' contributions to the deferred compensation plan. As of June 30, 2018, the deferred compensation plans had total assets stated at fair value of \$377,543.

401(k) Savings Plan - LACMTA and PTSC also offer deferred savings plans to all employees created in accordance with IRC Section 401(k). Under the plans, employees may contribute up to the lesser of \$18,000 (not in thousands) or 100% of their earnings in calendar year 2017. A special provision in the law allows an additional \$6,000 (not in thousands) if an employee is 50 years old or older by December 31, 2017.

The LACMTA 401(k) Defined Contribution Thrift Plan and the PTSC 401(k) Defined Contribution Thrift Plan were established by the LACMTA Board of Directors and the PTSC Board of Directors, respectively, which have delegated the authority, power, rights, duties and fiduciary responsibility in administering the plans to the LACMTA/PTSC Joint Defined Contribution Committee.

The plans are managed by a third-party plan administrator and trustee, ICMA Retirement Corporation, and the participants can direct the plan administrator to allocate their deferral based on several investment options. Plan benefits are based solely on amounts contributed by employees to their own accounts. Withdrawals are not available to employees until termination, retirement, age 59-1/2, death, or hardship withdrawal. In the opinion of management, LACMTA and PTSC have no liability for any losses under the plan, but do have the fiduciary responsibility of due professional care that would be required from a prudent investor. Accordingly, the plan's assets and liability to employees are not reported in the accompanying financial statements. LACMTA and PTSC do not match employees' contributions to the 401(k) savings plan. As of June 30, 2018, the 401(k) savings plan had assets at fair value totaling \$492,347.

Employees may participate in both deferred compensation and 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is \$37,000 (\$49,000 if age 50 or older), or \$61,500 if an employee falls within the catch up provision. Employees who are enrolled in the 457 "three-year catch-up plan" and less than 50 years of age, may defer a total of \$55,000. Employees may contribute \$37,000 to the 457 Deferred Compensation Plan, plus \$18,500 to 401(k).

Notes to the Financial Statements

June 30, 2018

I. EMPLOYEES' RETIREMENT PLANS

LACMTA provides pension benefits through CalPERS and five self-administered defined-benefit pension plans that cover substantially all full-time employees.

California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan

> **Plan Description**

Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, provides defined benefit pension plan through the Miscellaneous Plan (the Plan), an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS acts as common investment and administrative agent for participating public employers within the State of California. An agent multiple-employer plan is one in which the assets of the multiple employers are pooled together for investment purposes, but separate accounts are maintained for each individual employer.

> **Benefits Provided**

Most full-time employees of PTSC are covered under the Plan. There are two classes of plan members. Those hired before the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect on January 1, 2013 are known as Classic Members. Members hired after that date are known as PEPRA members. Classic Members are eligible for retirement at age 50, while PEPRA members must be 52 years of age. In both cases, at least 5 years of service credit is needed to retire. Benefits for the defined benefit plan are based on the member's year of service, age, final compensation, and benefit formula. The benefit factor is actuarially reduced or increased prior to or after age 60 for Classic Members and for PEPRA members prior to or after age 62. The Plan also provides optional benefits for survivor and disability benefits. The benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees' Retirement Law. CalPERS issues an annual audited stand-alone financial report and a copy can be obtained by submitting a written request to CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at www.CalPERS.ca.gov.

> **Employees Covered by Benefit Terms**

The following employees were covered based on the CalPERS actuarial valuation report dated June 30, 2016:

Active employees	2,079
Inactive employees	834
Terminated employees	480
Retired members and beneficiaries	951
Total	4,344

> **Contributions**

All employer contribution rates are actuarially determined annually and become effective July 1 following the notice of a change in the rate in accordance with Section 20814(C) of the California Public Employees' Retirement Law (PERL). The employer and employee contributions are a percentage of the covered payroll, which is based on pensionable earnings.

Notes to the Financial Statements

June 30, 2018

The rates are defined by law and are based on the employer's benefit formula as determined by periodic actuarial valuations. These contributions are deposited in a fund established for each entity for the purpose of creating actuarial reserves for future benefits. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the reporting fiscal year 2018, the contribution rate was 14.73% of covered payroll and contributions totaled \$30,224. This rate includes the mandatory employee contribution rate of 7.00% that is currently paid by PTSC for all Classic Members. PEPRA members pay 6.75% of covered-employee payroll which is 50% of the total normal cost of 12.50%.

> **Net Pension Liability**

The Plan's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled forward to determine the June 30, 2017 total pension liability.

> **Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions applied to all periods included in the measurement:

ACTUARIAL COST METHOD	ENTRY AGE NORMAL
Actuarial Assumptions:	
Discount rate	7.1 5%
Inflation	2.75%
Salary increases	Varies by entry age and service
Mortality rate table ⁽¹⁾	Derived using CalPERS' membership data for all Funds
Post-retirement benefit increases	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation report were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates.

> **Change of Assumptions**

The discount rate was reduced from 7.65% to 7.15% from the prior measurement date.

> **Discount Rate**

The Plan used the long-term actuarially determined discount rate of 7.15% to measure the total pension liability on the assumption that employer and employees will make their required contributions as scheduled in all future years the projected cash flows used in the determination of the discount rate. The "GASB Crossover Testing Report" conducted by CalPERS actuary team concluded that it was not necessary to incorporate the use of the municipal bond rate in the calculation of the discount rate as the plan did not run out of assets using the actuarially assumed discount rate of 7.15%. The discount rate of 7.15% used for the June 30, 2017 measurement date is calculated net of pension plan administrative expenses.

⁽¹⁾ Mortality table used was developed based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using scale BB published by the Society of Actuaries.

Notes to the Financial Statements

June 30, 2018

The long-term expected rate of return on the Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The table below shows the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

ASSET CLASS	CURRENT TARGET ALLOCATIONS	REAL RETURN YEARS 1 - 10 ⁽¹⁾	REAL RETURN YEARS 11 + ⁽²⁾
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00%	0.80%	2.27%
Inflation sensitive	6.00%	0.60%	1.39%
Private equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)

Changes in the Net Pension Liability

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET POSITION LIABILITY (a) - (b)
Balances at June 30, 2016	\$ 643,077	\$ 523,697	\$ 119,380
Changes for the year			
Service cost	30,120	-	30,120
Interest on the total pension liability	49,725	-	49,725
Changes of assumptions	41,661	-	41,661
Difference between expected and actual experience	5,642	-	5,642
Contribution - employer	-	20,266	(20,266)
Contribution - employee	-	13,770	(13,770)
Net investment income	-	59,678	(59,678)
Benefit payments, including refunds of employee contributions	(19,962)	(19,962)	-
Administrative expense	-	(773)	773
Net changes during 2016 - 2017	107,186	72,979	34,207
Balance at June 30, 2017	\$ 750,263	\$ 596,676	\$ 153,587

No significant changes between the measurement date at June 30, 2017 and the reporting date at June 30, 2018 were known to management to have significant effect on the net pension liability.

(1) An expected inflation rate of 2.50% was used for this period.

(2) An expected inflation rate of 3.00% was used for this period.

Notes to the Financial Statements

June 30, 2018

Sensitivity of the Net Pension Liability to Changes in Discount Rate

The table below shows the sensitivity of the Plan's net pension liability as of the measurement date, calculated using the discount rate of 7.15%, and the changes of 1 percentage-point lower (6.15%) and 1 percentage-point higher (8.15%):

	DISCOUNT RATE - 1% 6.15%	CURRENT DISCOUNT RATE 7.15%	DISCOUNT RATE + 1% 8.15%
Plan's net pension liability	\$ 257,839	\$ 153,587	\$ 66,846

> Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued audited CalPERS financial report. A copy of the CalPERS Annual Comprehensive Financial Report can be obtained by submitting a written request to CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at www.CalPERS.ca.gov.

> Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the reporting fiscal year ended June 30, 2018, the plan recognized pension expense of \$39,175. Pension expenses represent the changes in net pension liability recognized in the current reporting period adjusted for employee actual contributions, and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to the net pension liability to be recognized in future periods in a systematic and rational manner.

The following are the sources of deferred outflows and deferred inflows of resources as of the measurement date at June 30, 2017:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes of assumptions	\$ 32,403	\$ 3,725
Differences between expected and actual experiences	8,042	-
Net differences between projected and actual earnings on pension plan investments	6,691	-
Employer contributions for fiscal year 2018	32,642	-
Total	\$ 79,778	\$ 3,725

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2017, totaling \$30,224, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2019.

Notes to the Financial Statements

June 30, 2018

Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized as pension expenses in future periods as follows:

MEASUREMENT PERIOD ENDED JUNE 30	DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
2018	\$ 10,196
2019	18,697
2020	13,624
2021	894
2022	-
Total	\$ 43,411

> **Expected Average Remaining Service Lifetime (EARSL)**

For the measurement period ending June 30, 2017, the EARSL for the plan is 4.50 years which was calculated by dividing the total service years of 19,542 (amount not in thousands) which represents the sum of remaining service lifetimes of the active employees, by 4,344 (amount not in thousands) which represents the total number of participants (active, inactive, and retired). The remaining service life times is equal to zero for inactive employees and retirees. Also, total future service reflects the probability of decrements resulting from events other than receiving a cash refund.

LACMTA-ADMINISTERED PENSION PLANS

> **Plan Description**

LACMTA established and administers five single-employer defined benefit plans, referring collectively as the "Plans", that provide pension, disability, and death benefits to full-time employees in a work classification covered under collective bargaining agreements with the Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD), the Transportation Communication Union (TCU), the Amalgamated Transit Union (ATU), the Non-Contract (NC), and the American Federation of State, County and Municipal Employees (AFSCME). The assets of the five Plans are pooled together for investment purposes, but separate accounts are maintained for each retirement plan to pay for its benefit payments and other liabilities.

An annual audited stand-alone financial report for the Plans can be obtained by requesting a copy from the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at www.metro.net.

> **Benefits Provided**

LACMTA provides retirement, disability, and death benefits. SMART-TD employees with 10 years of service and age 55, or 23 years of service, or 5 years of service and age 65 are eligible to retire. TCU and ATU employees with 10 years of service and age 55 or 23 years of service are eligible to retire. NC and AFSCME employees with 5 years of service and age 50 or 30 years of service (Old Plan only) or age 50 and active on April 1, 1993 are eligible to retire. Retirement benefits for SMART-TD, TCU, NC, and AFSCME employees are calculated as 1.67% of the employee's adjusted final compensation, which is computed as the average of highest 36 consecutive months of compensation less \$133.33 (not in thousands). For the NC and AFSCME employees, New Plan participants are not eligible for the 30 and out benefits, but receive an 8% higher benefits. For the ATU employees, the benefit increases beginning with 23 years of service and increases from there.

All SMART-TD, TCU, and ATU employees are eligible for disability benefits after 10 years of service and the retirement benefits are 2% of final compensation for each year of service. NC and AFSCME

Notes to the Financial Statements

June 30, 2018

employees are eligible after 10 years of service and age 50 and the retirement benefits are the same as normal retirement benefits. Death benefits for SMART-TD, TCU, and ATU employees equal member contributions with 5.5% interest and if vested, spouse will receive instead benefits payable under 100% Joint and Survivor (J&S) option had the employee retired before his or her death. For NC and AFSCME employees, the death benefits equal member contributions with 5.5% interest plus an amount equal to the member's monthly compensation earn at the date of death multiplied by years of service not to exceed six years and if eligible with 10 years of service, the spouse will receive instead benefits payable under 100% J&S option had the employee retired before his or her death. If no surviving spouse, 50% of life annuity that member would have received if he/she had retired on the date of death goes to surviving children.

> **Employees Covered by Benefit Terms**

The table below shows the number (not in thousands) of active employees accruing benefits and retirees and beneficiaries receiving benefits based on the actuarial valuations as of December 31, 2016, and January 1, 2017 for ATU:

	SMART - TD	TCU	ATU	NC	AFSCME	TOTAL
Retirees and beneficiaries receiving benefits and terminated/transferred employees entitled to receive benefits	2,542	497	1,251	1,131	177	5,598
Active employees accruing benefits under CalPERS	n/a	n/a	n/a	209	43	252
Active employees:						
Vested	1,573	304	1,029	30	24	2,960
Non-vested	2,087	445	1,101	-	-	3,633
Total	6,202	1,246	3,381	1,370	244	12,443

> **Contributions**

LACMTA's funding policy is to make annual contributions to the Plans in amounts that, when combined with employees' contributions, fund the actuarially computed costs as they accrue. Actuarially computed costs are determined using the Projected Unit Credit Method except for the ATU Plan which uses the Entry Age Normal Method.

The employer and employee contributions are required by the plan agreements to be expressed as either a percentage of annual earnings applicable only to the ATU Plan, or as the dollar amount recommended by an actuary to finance the benefits as provided in the SMART-TD, TCU, NC, and AFSCME plans. This formula for making contributions to the Plans has been set by the respective Plans' collective bargaining agreements and can be changed in future collective bargaining negotiations between LACMTA and their respective Plans.

The required contributions of LACMTA and its employees for FY18 were actuarially determined by the funding valuation reports dated December 31, 2016 for the SMART-TD, TCU, AFSCME, and NC retirement plans, and January 1, 2017 for the ATU retirement plan. The actuarially required contribution rate of salary for ATU employees is 6.47%, TCU plan is 5.82%, and SMART-TD is 9.41%. LACMTA's required contributions for the ATU Plan was 17.47% of covered payroll. The plans covering SMART-TD, TCU, AFSCME, and Non-Contract, the required contributions were determined to be \$21,467, \$6,218, \$1,378, and \$4,195, respectively. LACMTA's actual contributions for all plans covering SMART-TD, TCU, AFSCME, NC, and ATU were \$21,467, \$6,218, \$1,378, \$4,195, and \$27,157, respectively.

Notes to the Financial Statements

June 30, 2018

> **Net Pension Liability**

Net pension liabilities for the SMART-TD, TCU, AFSCME and NC pension plans were measured as of June 30, 2017 and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2016 based on the actuarial experience study for the period from January 1, 2011 to December 31, 2014.

The ATU pension plan net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 based on the results of an actuarial experience study for the period from January 1, 2007 to December 31, 2013.

All Plans projected total pension liabilities were rolled forward to the June 30, 2017 measurement date taking into consideration adjustments for benefit payments, expected growth in benefit obligations, changes in key assumptions, plan provisions, and any significant changes in plan demographics events.

> **Actuarial Assumptions**

The table below summarizes the actuarial methods and assumptions applied to all periods included in the measurements as of June 30, 2017 as applicable to the plans:

	SMART-TD / TCU / AFSCME / NC	ATU
Actuarial Cost Method	Entry age normal	Early age normal
Actuarial assumptions:		
Discount rate	7.00%	7.00%
Inflation	3.00%	2.50%
Salary growth rate	Varies by age	2.25% - 12.00% based on age (4.25% across the board, 2015-2017)
Long term expected return on assets	7.00% net of investment expense and gross of administrative expense	7.00% net of investment expense and gross of administrative expense
Mortality rates	RP-2014 Blue Collar with generationally projected improvements using scale MP-2014	Healthy: RP-2014 Blue Collar mortality tables for healthy employees and annuitants, projected to 2022 using scale BB Disabled: RP-2014 Disability Table

> **Change of Assumptions**

For the measurement date of June 30, 2017, there were no change in assumptions.

> **Discount Rate**

SMART-TD, ATU, TCU, AFSCME, and NC plans used the long-term actuarially determined discount rate of 7.00% to measure the total pension liabilities. The discount rate for all plans did not incorporate a municipal bond rate. The projection of cash flows to determine the discount rate assumed that the contributions from the employer and employee will be equal to the actuarially determined contribution rates or dollar amounts for the applicable fiscal years. In the event that the assumptions are not realized, then the contributions will be adjusted accordingly to match the change in liability.

The SMART-TD, TCU, AFSCME and NC retirement plans long-term expected rate of return on pension plan investments was based on the actuary's proprietary January 1, 2016 capital market simulation model, where each return represents a 20-year geometric real return, (i.e. net of inflation).

Notes to the Financial Statements

June 30, 2018

The ATU plan long-term expected rate of return on pension plan investments was determined using a building-block method using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and reflect long-term expected real rates of return over a 30-year horizon.

Summarized below are the long term real rates of return by asset class of the Plans:

ASSET CLASS	LONG-TERM EXPECTED REAL RATE OF RETURN		TARGET ASSET ALLOCATION
	TCU/AFSCME/SMART-TD/NC	ATU	ALL PLANS
Domestic equities	5.20%	7.07%	39.00%
International equities	5.80%	12.21%	23.00%
Fixed income	0.90%	3.36%	29.00%
Real Estate	3.50%	5.35%	5.00%
Alternative investments	3.90%	5.75%	3.00%
Cash equivalents	0.30%	2.20%	1.00%

> **Changes in the Net Pension Liability**

Presented below is the aggregate changes in the pension plans' net pension liabilities for measurement period of July 1, 2016 to June 30, 2017.

	SMART-TD	TCU	AFSCME	NC	ATU	TOTAL
Total pension liability – beginning of year	\$ 778,530	\$ 159,084	\$ 70,372	\$ 158,813	\$ 542,889	\$ 1,709,688
Service cost	18,495	4,502	192	376	15,337	38,902
Interest	54,313	11,215	4,778	10,697	38,249	119,252
Changes of benefit terms	-	-	-	-	7,692	7,692
Difference between expected and actual	5,941	3,944	(460)	2,577	(1,418)	10,584
Changes of assumptions	-	-	-	-	2,976	2,976
Benefit payments paid from trust	(41,735)	(6,689)	(5,594)	(13,762)	(23,365)	(91,145)
Transfer of contributions between plans	(1,227)	(179)	890	789	(273)	-
Net change in total pension liability	35,787	12,793	(194)	677	39,198	88,261
Total pension liability – end of year	814,317	171,877	70,178	159,490	582,087	1,797,949
Fiduciary net position – beginning of year	538,204	111,931	55,149	116,864	406,188	1,228,336
Contributions - LACMTA	22,015	5,955	1,576	4,566	25,423	59,535
Contributions - Employees	18,148	2,751	-	-	9,696	30,595
Net investment income	67,046	14,090	6,675	13,936	51,241	152,988
Benefit payments	(41,735)	(6,689)	(5,594)	(13,762)	(23,365)	(91,145)
Administrative expenses	(417)	(208)	(176)	(213)	(374)	(1,388)
Transfers (benefit payments originally paid by other plans)	(1,227)	(179)	890	789	(273)	-
Net change in fiduciary net position	63,830	15,720	3,371	5,316	62,348	150,585
Fiduciary net position – end of year	602,034	127,651	58,520	122,180	468,536	1,378,921
Net pension liability – end of year	\$ 212,283	\$ 44,226	\$ 11,658	\$ 37,310	\$ 113,551	\$ 419,028

There are no subsequent events or significant changes in population covered or assumptions or methods that the management is aware of that would impact the results between the measurement date of the net pension liabilities and LACMTA reporting date for the year ended June 30, 2018.

Notes to the Financial Statements

June 30, 2018

> **Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The table below presents the net pension liability of the Plans, calculated using the discount rate as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is a percentage-point lower or a percentage-point higher than the current rate:

PLAN'S NET PENSION LIABILITY	DISCOUNT RATE -1% 6.00%	CURRENT DISCOUNT RATE 7.00%	DISCOUNT RATE +1% 8.00%
SMART-TD	\$ 295,343	\$ 212,283	\$ 142,666
ATU	172,935	113,551	63,246
TCU	61,266	44,226	30,015
NC	50,951	37,310	25,599
AFSCME	17,131	11,658	6,972

> **Pension Plans Fiduciary Net Position**

Detailed information about the Plans' fiduciary net position is available in the separately issued audited financial reports. A copy of the financial reports can be obtained by submitting a written request to the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

> **Pension Expense, Deferred Outflows of Resources, & Deferred Inflows of Resources Related to Pension**

For reporting fiscal year ended June 30, 2017, LACMTA recognized pension expense of \$67,715, which represents the change in net pension liability during the measurement period, adjusted for employee contributions and deferred recognition of changes in investment gain/loss, demographics and assumption changes.

AGGREGATE PENSION EXPENSES BY PLAN	AMOUNT
SMART-TD	\$ 23,882
TCU	6,734
AFSCME	810
NC	5,687
ATU	30,602
Total	\$ 67,715

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

Notes to the Financial Statements

June 30, 2018

The following are the sources of deferred outflows of resources and deferred inflows of resources as of the measurement date at June 30, 2017:

	DEFERRED INFLOWS OF RESOURCES	DEFERRED OUTFLOWS OF RESOURCES
SMART-TD		
Changes of assumptions	\$ 2,287	\$ 13,690
Differences between expected and actual experiences	-	10,844
Net differences between projected and actual earnings on pension plan investments	-	2,683
Employer contributions for fiscal year 2018	-	21,467
Total	\$ 2,287	\$ 48,684
TCU		
Changes of assumptions	\$ 530	\$ 4,597
Differences between expected and actual experiences	-	2,879
Net differences between projected and actual earnings on pension plan investments	-	528
Employer contributions for fiscal year 2018	-	6,218
Total	\$ 530	\$ 14,222
AFSCME		
Changes of assumptions	\$ -	\$ -
Differences between expected and actual experiences	-	-
Net differences between projected and actual earnings on pension plan investments	-	511
Employer contributions for fiscal year 2018	-	1,378
Total	\$ -	\$ 1,889
NC		
Changes of assumptions	\$ -	\$ -
Differences between expected and actual experiences	-	-
Net differences between projected and actual earnings on pension plan investments	-	1,078
Employer contributions for fiscal year 2018	-	4,195
Total	\$ -	\$ 5,273
ATU		
Changes of assumptions	\$ 1,689	\$ 3,232
Differences between expected and actual experiences	-	18,585
Net differences between projected and actual earnings on pension plan investments	-	2,656
Employer contributions for fiscal year 2018	-	27,157
Total	\$ 1,689	\$ 51,630
TOTAL MTA		
Changes of assumptions	\$ 4,506	\$ 21,519
Differences between expected and actual experiences	-	32,308
Net differences between projected and actual earnings on pension plan investments	-	7,456
Employer contributions for fiscal year 2018	-	60,415
Total	\$ 4,506	\$ 121,698

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2017 totaling \$60,415, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2019.

Notes to the Financial Statements

June 30, 2018

Deferred inflows of resources resulting from net differences between projected and actual earnings on investments are amortized over five years, all other deferred outflows or inflows of resources will be amortized over their remaining service lives.

The following amounts reported as deferred outflows of resources related to pension that will be recognized in future periods as pension expense:

MEASUREMENT PERIOD ENDED JUNE 30, 2017	SMART – TD	TCU	AFSCME	NC	ATU	TOTAL
2019	\$ 6,370	\$ 1,451	\$ (128)	\$ (291)	\$ 7,469	\$ 14,871
2020	16,062	3,377	962	2,010	13,305	35,716
2021	7,300	1,939	262	569	5,468	15,538
2022	(4,802)	(20)	(585)	(1,210)	(3,617)	(10,234)
2023	-	623	-	-	159	782
2024	-	104	-	-	-	104
Total	\$ 24,930	\$ 7,474	\$ 511	\$ 1,078	\$ 22,784	\$ 56,777

> **Payable/Receivable to the Pension Plan**

At June 30, 2018, the pension plans reported a net receivable of \$930 for the outstanding amount of Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2018.

> **Aggregate Amounts**

For FY18, LACMTA recognized amounts related to pensions across all five LACMTA administered pension plans and the Miscellaneous plan administered by CalPERS as follows:

	DEFERRED INFLOWS	DEFERRED OUTFLOWS	NET PENSION LIABILITY	EXPENSES
CalPERS	\$ 3,725	\$ 79,778	\$ 153,587	\$ 39,175
LACMTA Plans	4,506	121,698	419,028	67,715
Total	\$ 8,231	\$ 201,476	\$ 572,615	\$ 106,890

Notes to the Financial Statements

June 30, 2018

J. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

> **Plan Administration**

On February 22, 2007, the Board adopted a resolution authorizing the establishment of an irrevocable Retiree Health Care and Welfare Benefits Trust (Plan). The Plan is a single-employer defined benefit plan administered by LACMTA to provide OPEB benefits, such as medical, dental, vision, life insurance and similar benefits offered by LACMTA to its active and retired employees. The Plan covers benefits administered by LACMTA for Non-Contract employees and employees represented by AFSCME and the Teamsters and for the contractual obligations to the respective Union Health and Welfare Trusts for employees represented by ATU, TCU and SMART-TD. The benefits, coverage levels, employee contributions and employer contributions are either governed/amended by the policies established by the LACMTA's Board, collective bargaining agreements, or the Union Health and Welfare Trusts. Generally, eligibility for coverage is based on the employee's service and age.

As of January 1, 2017, plan membership consisted of the following (not in thousands):

Actives	9,890
Retirees Pre-65	1,633
Retirees Post-65	4,067
Total	15,590

> **Plan Accounting Practices**

Basis of Accounting

The Plan's financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred.

Contributions and Benefits

Plan member contributions are recognized in the period in which the contributions are due. LACMTA contributions are funded in accordance with the funding policy as described below. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value based on the fair value hierarchy at fiscal year-end. Investment income is recognized on an accrual basis. Gains and losses on sales and exchange of securities are recognized on the trade date. Gains or losses on sales of securities are measured on the basis of average cost.

The statement of fiduciary net position and statement of changes in fiduciary net position of the OPEB Plan is presented in the Other Supplementary Information on page 143. An annual unaudited stand-alone financial report is prepared for the Plan and can be obtained by requesting a copy from the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

> **Benefits Provided**

LACMTA pays LACMTA pays for a portion of eligible retirees' medical, dental, and vision plan premiums for groups covered under the LACMTA and Union plans. Employees who meet the eligibility requirements receive benefits for themselves and their dependents.

Notes to the Financial Statements

June 30, 2018

Funding Policy (Contributions)

> **Member Contribution**

The contributions made by Non-Contract, AFSCME, and Teamsters retirees are established and approved by the Board. Generally, the contribution is calculated as a percent of the premium cost based on service of 25 years or more is required in order to qualify for the active employee contribution rate. For each year of service less than 25 years, the retiree pays an additional 4% of LACMTA's cost. Contributions are remitted by LACMTA to the Plan.

The Union Health and Welfare Trusts establish the plan member contribution rates. ATU contributions are \$80 per month for retirees less than 65 years of age and \$60 per month for retirees more than 65 years of age. TCU contributions are \$45 per month with an additional contributions of \$15 per month for dependent coverage for retirees less than 65 years of age. There are no required contributions for retirees more than 65 years of age. SMART -TD contributions are \$100 per month with no additional contribution for dependent coverage for retirees less than 65 years of age. There are no required contributions for retirees more than 65 years of age. Contributions made by retirees represented by ATU, TCU, and SMART-TD are directly remitted to their respective union healthcare trusts. Dollar amounts are not in thousands.

> **LACMTA Contribution**

LACMTA's funding policy is to contribute the direct "pay-as you go" costs as determined by premium/claim payments and union healthcare trust contractual contributions, plus \$5,000,000.

Changes in Net OPEB Liability and Related Ratios

The Plan's Net OPEB Liability was measured as of June 30, 2017. The total OPEB liability used in the calculation of the Net OPEB Liability was determined by the actuarial valuation as of January 1, 2017 applied to all periods included in the measurement, unless otherwise specified. The actuarial assumptions used in the January 1, 2017 valuation were rolled forward to the June 30, 2017 measurement date.

	INCREASE (DECREASE)		
	TOTAL OPEB LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET OPEB LIABILITY (a) - (b)
Balances at July 1, 2016	\$ 1,854,031	\$ 295,066	\$ 1,558,965
Changes for the year:			
Service cost	86,058	-	86,058
Interest on the total OPEB liability	55,924	-	55,924
Changes of assumptions	(191,475)	-	(191,475)
Difference between expected and actual experience	(179,706)	-	(179,706)
Contribution – employer	-	31,933	(31,933)
Contribution – member	-	-	-
Net investment income	-	35,666	(35,666)
Benefit payments, including refunds of employee contributions	(23,558)	(23,558)	-
Administrative expense	-	(167)	167
Net changes during 2016-17	(252,757)	43,874	(296,631)
Balance at June 30, 2017	\$ 1,601,274	\$ 338,940	\$ 1,262,334

No significant changes between measurement date at June 30, 2017 and the reporting date at June 30, 2018 were known to management to have a significant effect on the net OPEB liability.

Notes to the Financial Statements

June 30, 2018

> **Actuarial Assumptions**

ACTUARIAL COST METHOD	ENTRY AGE NORMAL
Discount rate	3.70%
Payroll increases	3.50%, including inflation
Investment rate of return	7.00%, including inflation
Inflation	2.50%
Mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2016 improvements from 2006
Healthcare cost trend rates	Medical Pre 65: 7.71% in 2017 reducing to 4.50% ultimate in 2025 Medical Post 65: 8.42% in 2017 reducing to 4.50% ultimate in 2025 Dental and Vision: 4.50% per year Administrative: 3.00% per year

The actuarial assumptions used in the January 1, 2017 valuation were based on the census data provided as of January 1, 2017 and only current active and retired participants are valued in this actuarial study. Future new entrants or any projected growth in LACMTA's employee population are not considered.

The measurement period for fiscal year ended June 30, 2018 is July 1, 2016 through June 30, 2017. For purposes of calculating the net OPEB liability as of June 30, 2016, the beginning balance of the measurement period, a discount rate of 2.90% was used under the Entry Age Normal cost method.

To project the long-term expected rate of return on the Plan's investments, a building-block method was used to estimate ranges of expected future real rates of return (expected returns, net of the Plan investment expense and inflation) for each major asset class.

The long-term expected rate of return, the long-term market return expectations as well as the expected Plan fund cash flows were taken into account in projecting the long-term expected rate of return. These cash flows were developed assuming that both members and LACMTA will make the projected "pay-as you-go" contributions plus \$5,000, on time and as scheduled, in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the long-term (30 plus years, amount stated not in thousands) net of administrative expenses. Expected nominal returns for the long-term were used to calculate the present value of benefits for the Plan.

The table below reflects long-term expected real rates of return by asset class. The projected rates of return were calculated using the capital market assumptions.

ASSET CLASS	STRATEGIC ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
U.S. Equity	39.00%	5.50%
International Equity	26.00%	5.50%
U.S. Fixed Income	26.00%	3.00%
REITS	3.50%	3.90%
Private Real Estate	3.50%	5.50%
Liquidity	2.00%	0.75%

Notes to the Financial Statements

June 30, 2018

> **Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2017 was 3.70%. The development of the discount rate was based on the assumptions that: 1) the required contribution from members and LACMTA will be on time and as scheduled and projected benefit payments assumed to be paid mid-year have been determined based on the closed group of active, retired members and beneficiaries as of June 30, 2017 and 2) the projected investment earnings are based on assumed investment rate of return of 7.00% per annum. Under these assumptions, the assets are projected to be enough to pay plan benefits through 2025. Thereafter, the July 1, 2017 Bond Buyer General Obligation 20-Bond Municipal Bond Index of 3.58% is applied to projected benefit payments.

> **Investments**

Investment Policy

Pursuant to a resolution adopted by LACMTA's Board of Directors, the Chief Executive Officer appointed a three-person Investment Advisory Committee (the "Committee") as trustee of the Plan to oversee the policies and procedures related to the operation and administration of the Plan. The Committee has authority to implement the investment policy and guidelines related to the investment of the Plan's assets. The Committee is composed of the Chief Financial Officer as Chairman, the Treasurer, and the Chief Risk, Safety and Asset Management Officer.

It is the goal and objective of the Committee to achieve long-term growth by maximizing the long-term rate of return on investments and minimizing the risk of loss in fulfilling the Plan's current and long-term obligations. The Plan's assets are managed by investment managers who have to comply with policies and procedures set forth in the investment policy.

To achieve the Trust's investment objectives and to balance between risk and return, the Committee allocated assets into two broad classes called Investment Assets and Liquidity Assets. The Investment Assets will be invested based on the target range in order to achieve an average total annual rate of return that is equal to or greater than the Plan's assumed investment rate of return of 7.00%. The Liquidity Assets will be mainly cash and cash equivalents used to pay for benefits and expenses of the Plan.

The Committee has adopted the following asset allocation as of June 30, 2017:

ASSET CLASSES	ASSET WEIGHTINGS	
	RANGE	TARGET
Domestic Equity	34% - 44%	39%
International Equity	21% - 31%	26%
Other Equity/Inflation Hedge	2% - 12%	7%
Fixed Income	21% - 31%	26%
Cash Equivalent	0% - 10%	2%

Notes to the Financial Statements

June 30, 2018

As of June 30, 2017, the OPEB Plan's cash and investments consisted of the following:

	BUSINESS-TYPE ACTIVITIES
Common Stock:	
Domestic Securities	\$ 156
Fixed Income:	
U.S. Agency Securities	18,158
U.S. Treasury Securities	13,286
Domestic Corporate Bonds	38,797
Foreign Corporate Bonds	4,344
Pooled Funds:	
Money Market Funds	8,882
Mutual Funds	193,736
Non-Real Estate Funds	48,234
Real Estate Funds	13,564
Total cash and investments	\$ 339,157

The Plan categorizes its fair value investments within the fair value hierarchy established by GASB 72, *Fair Value Measurement and Application* that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3) as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the agency has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- > Quoted prices for similar assets or liabilities in active markets;
- > Quoted prices for identical or similar assets or liabilities in inactive markets;
- > Inputs other than quoted prices that are observable for the asset or liability;
- > Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Typically, the fair value reflects management's estimates of assumptions that market participants would use in pricing the asset or liability.

Investments measured at Net Asset Value (NAV) as a practical expedient for fair value are not categorized within the fair value hierarchy.

U.S. Treasury obligations and domestic securities are classified as Level 1 and are valued using prices in active markets for identical assets. Debt securities, mutual and money market funds, and U.S. Agencies securities are classified as Level 2 and are valued using inputs that are observable but not active using the market approach. These inputs include matrix pricing models and comparisons to prices of similar assets.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level (in terms of reliability) of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Notes to the Financial Statements

June 30, 2018

As of June 30, 2017, the following are OPEB Trust's investments set forth by level, within the fair value hierarchy:

	LEVEL 1	LEVEL 2	TOTAL
Common Stock:			
Domestic Securities	\$ 156	\$ -	\$ 156
Fixed Income:			
U.S. Agency Securities	-	18,158	18,158
U.S. Treasury Securities	13,286	-	13,286
Domestic Corporate Bonds	-	38,797	38,797
Foreign Corporate Bonds	-	4,344	4,344
Pooled Funds:			
Money Market Funds	-	8,882	8,882
Mutual Funds	49,174	144,562	193,736
Total	\$ 62,616	\$ 214,743	\$ 277,359

Investments measured at the net asset value:

Pooled Funds:	
Non-real estate funds	\$ 48,234
Real estate funds	13,564
Total investments measured at net asset value	\$ 61,798
Total investments	\$ 339,157

	FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Pooled Funds:				
Non-real estate funds	\$ 48,234	-	Monthly	5 - 45 days ⁽¹⁾
Real estate funds	13,564	-	Quarterly	90 days
Total	\$ 61,798			

(1) 5 business days for WCM fund and 15 - 45 days for Mondrian fund.

Notes to the Financial Statements

June 30, 2018

The fair value of the pooled funds invested in real estate and non-real estate holdings via our limited partnerships (LPs) is based upon the OPEB Trust's proportionate interest in the LP's capital (i.e. NAV). The fair value of the real estate and non-real estate holdings owned by the LPs is based on the estimated fair value of the respective LP's consolidated financial statements.

Non-real estate funds - this type consists of 2 funds which invest in international securities. In regards to the WCM funds, the funds can be redeemed at any time based on the redemption clauses with a minimum distribution threshold set at \$100 and a minimum account balance set at \$1,000. In regards to the Mondrian fund, there are no redemption restriction in place, and the funds can be redeemed at any time based on the redemption clauses.

Real estate funds - this type consists of a single fund which invests in U.S. commercial and residential real estate. Currently, there are no redemption restrictions in place, and the funds can be redeemed at any time based upon the redemption clauses.

The following table shows the cash equivalents and investments held by the trustee for the benefit of OPEB Trust in accordance with the provisions of the trust agreement as of June 30, 2017:

INVESTMENT TYPE	TOTAL	WEIGHTED AVERAGE DURATION (IN YEARS) PER INVESTMENT TYPE	CONCENTRATION OF INVESTMENTS	RATINGS
Domestic Corporate Bonds	\$38,797	0.5917	11.44%	Not Rated to AAA
Domestic Securities	156	0.0000	0.05%	BBB+
Foreign Corporate Bonds	4,344	0.0525	1.28%	BBB- to AAA
Money Market Funds	8,882	0.0000	2.62%	Not Rated
Mutual Funds	193,736	0.0000	57.12%	Not Rated
Non-Real Estate Funds	48,234	0.0000	14.22%	Not Rated
Real Estate Funds	13,564	0.0000	4.00%	Not Rated
U.S. Agency Securities	18,158	0.2369	5.35%	Not Rated to AAA
U.S. Treasury Securities	13,286	0.2710	3.92%	AAA
Total	\$339,157		100.00%	
Portfolio weighted average duration		1.1521		

The weighted average duration is calculated using the investment's effective duration weighted by the investment's fair value.

Notes to the Financial Statements

June 30, 2018

Risk

In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure - an Amendment of GASB Statement No.3*, certain required disclosures regarding investment policies and practices with respect to credit risk, concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk are discussed in the following paragraphs:

> **Credit Risk**

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above summarize the fair value of investments that are included in the restricted and unrestricted cash and investments and the related credit ratings. OPEB Plan maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations and maintaining diversified investments using target asset allocation ranges encompassing a long-term perspective.

> **Concentration of Credit Risk**

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. As disclosed above, OPEB Plan maintains investment policies that establish thresholds for holdings of individual securities. OPEB Plan did not have any holdings meeting or exceeding these threshold levels as of June 30, 2017.

As of June 30, 2017, with the exception of investments that are explicitly guaranteed by the U.S. government, OPEB Trust did not have any investments with more than 5% of the total investments under one issuer.

> **Custodial Credit Risk**

For deposits, custodial credit risk is the risk that in the event of a bank failure, the OPEB Trust's deposits in the possession of an outside party may not be returned. Deposits are exposed if they are not insured or are not collateralized. As of June 30, 2017, there are no deposits at any financial institutions other than the OPEB Trust's custodian.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the OPEB Trust will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are not insured or are not registered in the OPEB Trust's name and held by the counter party. As of June 20, 2017, investments are held by the OPEB Trust's custodian in OPEB Trust's name.

> **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. OPEB Trust adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The plan currently maintains the interest rate risk and consistent with its long-term investment horizon.

> **Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2017, there was no exposure to foreign currency risk as all OPEB investments are denominated in U.S. dollar currency.

> **Rate of Return**

For the fiscal year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Notes to the Financial Statements

June 30, 2018

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.70%) or 1-percentage-point higher (4.70%) than the current discount rate for the fiscal year ended June 30, 2018:

	DISCOUNT RATE 1% 2.70%	DISCOUNT RATE 3.70%	DISCOUNT RATE +1% 4.70%
Net OPEB Liability	\$ 1,533,599	\$ 1,262,334	\$ 1,047,280

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the impact of healthcare cost trend sensitivity on the total OPEB liability if it was calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the Trend Rate and net OPEB liability for the fiscal year ended June 30, 2018:

	1% DECREASE	TREND RATES	1% INCREASE
Net OPEB Liability	\$ 1,027,058	\$ 1,262,334	\$ 1,565,627

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For reporting fiscal year ended June 30, 2017, LACMTA recognized OPEB expense of \$61,420, which represents the change in net OPEB liability during the measurement period, adjusted for employee contribution and deferred recognition of changes in investment gain/loss, demographics and assumption changes.

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net OPEB liability to be recognized in future periods in a systematic and rational manner.

The following are the sources of deferred outflows of resources and deferred inflows of resources as of the measurement date at June 30, 2017:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes of assumptions	\$ -	\$ (162,153)
Differences between expected and actual experiences	-	(137,440)
Net differences between projected and actual earnings on OPEB plan investments	-	(11,779)
Employer contributions for fiscal year 2018	30,671	-
Total	\$ 30,671	\$ (311,372)

Notes to the Financial Statements

June 30, 2018

The deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of June 30, 2017 totaling \$30,671, will be recognized as a reduction of the net OPEB liability in fiscal year ending June 30, 2019.

Deferred inflows of resources resulting from net differences between projected and actual earnings on investments are amortized over five years, all other deferred outflows or inflows of resources will be amortized over their average working life expectancy.

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense in future years as follows:

MEASUREMENT PERIOD ENDED JUNE 30, 2017	DEFERRED OUTFLOWS/ IN FLOWS OF RESOURCES
2019	\$ (57,121)
2020	(57,121)
2021	(57,121)
2022	(57,121)
2023	(54,176)
2024	(28,712)
Total	\$ (311,372)

Payable/Receivable to the Pension Plan

At June 30, 2018, the OPEB plan reported a \$930 payable to the LACMTA Employees' Retirement Plans for the Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2018.

Healthcare Reform

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. One key provision of the PPACA is the assessment of the excise tax on high cost plans (Cadillac Plans) beginning in 2018. Under this act, 40% excise tax applies to plans with costs exceeding certain thresholds: \$11,850 (not in thousands) - single; \$30,950 (not in thousands) - family for early retirees. The estimated impact of the 40% excise tax provision on high cost plans beginning in 2018, under the healthcare reform, is reflected in the actuarial valuation report of January 1, 2017.

For the excise tax, the overall value of the benefit was compared with the projected excise tax thresholds in each future year. The key assumptions for determining the excise tax are as follows:

- > Plan costs were developed on a two-tier basis (individual and individual plus spouse) for all retirees and assumed to increase with the valuation trend.
- > The 2020 cost thresholds are assumed to be \$10,200 (not in thousands) for individual and \$27,500 (not in thousands) for family coverage (\$11,850 and \$30,950 for non-Medicare retirees).

Notes to the Financial Statements

June 30, 2018

- > 2020 thresholds are adjusted accordingly by the amount that the accumulated 2010-2020 cost increases, observed for the BCBS "standard" plan option under the FEHBP (Federal Employees Health Benefits Program) program, exceeds 55%.

- > After 2020, the cost thresholds are indexed by CPI (CPI+1% in 2021 only). CPI is assumed to be 2.5% in all future years.

On a blended basis, the excise tax threshold is estimated to be reached in fiscal year 2020 for Non-contract, AFSCME and TCU, 2038 for ATU, and 2030 for UTU. The effect of the excise tax is approximately 2.0% of the liability and assumes that the tax is shared between LACMTA and its participants is the same as the current costs are shared.

Notes to the Financial Statements

June 30, 2018

K. POLLUTION REMEDIATION OBLIGATION

LACMTA follows the guidance of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

LACMTA is responsible for the pollution remediation obligations for various facilities and capital projects. These facilities and projects include those with known soil and/or groundwater impacts or either current or anticipated future litigation involving contamination of soil or groundwater at locations not controlled by LACMTA.

LACMTA calculates expected outlays related to this pollution remediation using established potential environmental liability estimates for three different cost categories namely, external remediation costs, internal administration costs, and litigation and settlement costs, where each cost category has a different way to estimate the costs.

External remediation costs are estimated on a life cycle basis through retirement of the pollution remediation obligations or using a forecasted, year-by-year scope of the remaining project life cycles to the point of No Further Action (NFA), i.e. closure. The scoping period for newly identified sites and for the continuance of other identified obligation at other sites was assumed to start on July 1, 2018.

Internal administration costs estimate labor using the full time equivalent (FTE) basis. An FTE value of \$200,000 (amount not in thousands) per annum is multiplied by the annual FTE count anticipated for each site and the projected duration period required to retire the pollution remediation obligations.

Litigation and settlement costs are based on LACMTA's proportionate share of cleanup and remediation costs at each cleanup site that received LACMTA's generated hazardous waste, based on volume, ongoing remediation costs, and prior years' expenses.

The remediation obligation estimates as of June 30, 2018 are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to status and regulations, and other factors that could result in revisions to these estimates.

Prospective recoveries from responsible parties may reduce LACMTA's obligation. Capital assets may be created when pollution outlays are made under specific circumstances. LACMTA is not expecting recovery from other responsible parties.

As of June 30, 2018, LACMTA has an estimated pollution remediation obligation of \$11,134 related to soil and/or groundwater pollution cleanup activities. Currently, LACMTA does not have any liabilities for pollution remediation activities for possible liabilities which are not reasonably estimable.

Notes to the Financial Statements

June 30, 2018

L. LONG-TERM DEBT

LACMTA's long-term debt activities for the year ended June 30, 2018 are summarized as follows:

TYPE OF ISSUE	BALANCE JULY 1, 2017	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2018	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Sales tax revenue and refunding bonds	\$ 3,717,200	\$1,162,187 ⁽¹⁾	\$ (382,060)	\$ 4,497,327	\$ 221,140
Lease/leaseback to service obligations	228,015	11,389 ⁽²⁾	(1,060)	238,344	(12,103) ⁽⁴⁾
General revenue refunding bonds	105,750	-	(8,140)	97,610	8,700
Notes payable	567,778	13,894 ⁽³⁾	(1,008)	580,664	-
Commercial paper and revolving credits	194,212	115,213	(131,193)	178,232	-
Sub-total	4,812,955	1,302,683	(523,461)	5,592,177	217,737
Add: Unamortized bond premium ⁽⁵⁾	393,460	127,931	(52,173)	469,218	44,432
Less: Unamortized bond discount ⁽⁵⁾	(101)	-	9	(92)	(9)
Total long-term debt	\$ 5,206,314	\$ 1,430,614	\$ (575,625)	\$ 6,061,303	\$ 262,160

(1) Includes Transportation Infrastructure Finance and Innovation Act (TIFIA) aggregate loan proceeds of \$521,316 and interest accretion totaling \$15,165 that partially financed the Regional Connector Transit Corridor, the West Side Purple Line Extension Section 1 and Section 2 projects.

(2) Additions represent loan accretion, which is the accrued interest, or a portion thereof, added to the principal amount.

(3) Additions represent interest accretion to the principal of the TIFIA loan that partially financed the Crenshaw/LAX project.

(4) Negative amounts due within one year represent interest accretion to the principal.

(5) Unamortized bond premium and bond discount are associated with the issuance of sales tax revenue and refunding bonds and general revenue refunding bonds.

Notes to the Financial Statements

June 30, 2018

Sales tax revenue and refunding bonds outstanding as of June 30, 2018 are as follows:

BOND SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	BALANCE JULY 1, 2017	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2018	DUE WITHIN ONE YEAR
PROP A									
2008B	\$ 26,075	2008	2028	3.50 to 5.00%	\$ 19,680	\$ -	\$ (19,680)	\$ -	\$ -
2009A	320,945	2009	2026	2.00 to 5.00%	149,035	-	(21,680)	127,355	22,750
2011A	144,000	2011	2018	0.20 to 5.00%	34,035	-	(29,025)	5,010	5,010
2011B	91,110	2011	2023	3.00 to 5.00%	91,110	-	(91,110)	-	-
2012A	68,205	2012	2021	2.00 to 5.00%	51,380	-	(4,570)	46,810	3,210
2013A	262,195	2013	2021	5.00%	238,615	-	(19,260)	219,355	45,530
2014A	135,715	2014	2035	3.00 to 5.00%	130,060	-	(5,940)	124,120	6,235
2015A	26,480	2015	2035	3.00 to 5.00%	25,495	-	(1,185)	24,310	1,235
2016A	185,605	2016	2031	2.00 to 5.00%	170,760	-	(7,410)	163,350	9,785
2017A	471,395	2017	2042	5.00%	-	471,395	-	471,395	-
2017B	85,455	2017	2023	5.00%	-	85,455	-	85,455	-
2018A	13,890	2018	2031	3.00 to 5.00%	-	13,890	-	13,890	-
				Sub-total	910,170	570,740	(199,860)	1,281,050	93,755
PROP C									
2008A	128,745	2008	2022	4.00 to 5.00%	69,650	-	(69,650)	-	-
2009B	245,825	2009	2020	3.00 to 5.00%	134,655	-	(31,885)	102,770	33,035
2009D	118,785	2009	2019	1.40 to 5.00%	41,625	-	(13,180)	28,445	13,865
2009E	118,940	2009	2029	3.25 to 5.00%	85,070	-	(6,110)	78,960	6,375
2010A	45,455	2010	2023	3.00 to 5.25%	37,150	-	-	37,150	-
2012A	14,635	2012	2028	3.00 to 3.12%	14,635	-	-	14,635	-
2012B	74,885	2012	2025	5.00%	74,885	-	-	74,885	-
2013A	138,960	2013	2023	2.00 to 5.00%	103,800	-	(12,840)	90,960	13,450
2013B	313,490	2013	2038	2.00 to 5.00%	295,420	-	(7,675)	287,745	8,060
2013C	63,785	2013	2026	4.00 to 5.00%	55,555	-	(4,430)	51,125	4,650
2014A	61,180	2014	2034	5.00%	61,180	-	-	61,180	-
2016A	86,570	2016	2030	2.00 to 5.00%	86,570	-	(4,260)	82,310	4,665
2017A	454,845	2017	2042	4.00 to 5.00%	454,845	-	-	454,845	9,530
2018A	54,965	2018	2022	4.00 to 5.00%	-	54,965	-	54,965	-
				Sub-total	1,515,040	54,965	(150,030)	1,419,975	93,630
MEASURE R									
Senior Bonds									
2010A	573,950	2010	2039	4.28 to 5.73%	573,950	-	-	573,950	-
2010B	158,460	2010	2020	0.50 to 5.00%	59,925	-	(19,040)	40,885	19,965
2016A	522,120	2016	2039	3.00 to 5.00%	512,120	-	(13,130)	498,990	13,790
					1,145,995	-	(32,170)	1,113,825	33,755
Junior Bonds									
2014A (1)	160,000	2014	2036	3.50%	63,744	59,428	-	123,172	-
2014B (1)	856,000	2014	2037	3.23%	82,251	266,242	-	348,493	-
2016A (1)	307,000	2017	2037	2.90%	-	210,812	-	210,812	-
					145,995	536,482	-	682,477	-
				Sub-total	1,291,990	536,482	(32,170)	1,796,302	33,755
				Total	\$ 3,717,200	\$ 1,162,187	\$ (382,060)	\$ 4,497,327	\$ 221,140

(1) Represents Measure R Junior Subordinate Bonds issued to evidence LACMTA's obligation under the TIFIA loan program related to the Regional Connector Transit Corridor, West Side Purple Line Extension Section 1, and West Side Purple Line Extension 2 projects.

Sales Tax Revenue and Sales Tax Revenue Refunding Bonds

LACMTA issues sales tax revenue bonds to provide funds for the acquisition of revenue vehicles and construction of major capital projects. Sales tax revenue bonds are secured by the Los Angeles County voter approved Proposition A, Proposition C, or Measure R sales taxes, net of administration costs and allocations to local governments.

LACMTA issues sales tax revenue refunding bonds generally to reduce debt service costs by refinancing previously issued sales tax revenue bonds and/or commercial paper notes when more favorable interest rates or financing terms are available. Refunding may also be executed for reasons other than to achieve cost savings, such as to restructure the repayment schedule of the debt, to change the type of debt instruments being used, or to retire an indenture in order to remove undesirable covenants.

The principal amount is payable in annual installments on July 1 on Proposition A and Proposition C bonds, and on June 1 on Measure R bonds. Interest is payable semi-annually on January 1 and July 1 on Proposition A and Proposition C bonds, and on December 1 and June 1 on Measure R bonds.

Measure R Junior Subordinate Bonds

In October 2013, the USDOT approved a TIFIA loan for the design and construction of the Regional Connector Transit Corridor Project (the Project) in an aggregate principal amount not to exceed \$160,000. In February 2014, the USDOT through the Federal Highway Administration (FHA) and LACMTA entered into a Full Funding Grant Agreement (FFGA) to secure a grant of up to \$669,900 of the \$1.4 billion budgeted cost for the Project and issued Series 2014A of Measure R Junior Subordinated Bonds to evidence the obligation of LACMTA to repay the \$160,000 loan pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 3.5% per annum with a final maturity on June 1, 2036. Annual principal amounts due are payable on June 1 of each year beginning June 1, 2020, and interest payments on the outstanding principal balance are due and payable semi-annually on June 1 and December 1 of each year commencing December 1, 2019. As of June 30, 2018, LACMTA has drawn \$117,759 of the TIFIA loan.

In May 2014, LACMTA secured a TIFIA loan for its Westside Purple Line Extension Section 1 Project (the Project) in an aggregate principal amount not to exceed \$856,000 and entered into an FFGA with the USDOT through the FHA pursuant to which the Project, budgeted at \$2.6 billion, has received a grant of \$65,000 with up to \$1.25 billion in total grant funds. LACMTA issued Series 2014B of Measure R Junior Subordinated Bonds to evidence LACMTA's obligation to repay the loan pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 3.23% per annum with final maturity date of June 1, 2037. Annual principal amounts due are payable on June 1 of each year beginning June 1, 2020, and interest payments on the outstanding principal balances are due and payable semi-annually on June 1 and December 1 commencing December 1, 2019. LACMTA has drawn \$340,644 of the TIFIA loan as of June 30, 2018.

In December 2016, the USDOT approved a TIFIA loan for the design and construction of the Westside Purple Line Extension Section 2 Project (the Project) in an aggregate principal amount not to exceed \$307,000. The USDOT through the Federal Transit Administration (FTA) and LACMTA entered into a FFGA pursuant to which the Project has received a grant in the amount of \$1.2 billion. LACMTA issued Measure R Junior Subordinate Sales Tax Revenue Bonds Series 2016A to evidence LACMTA's obligation to repay its obligation pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 2.9% per annum with final maturity on June 1, 2037. Annual principal amounts due are payable on June 1 of each year commencing June 1, 2020 and interest payments on the outstanding principal balances are due and payable semi-annually on June 1 and December 1 of each year commencing December 1, 2019. As of June 30, 2018, LACMTA has drawn \$207,000 of the TIFIA loan.

Notes to the Financial Statements

June 30, 2018

Lease/leaseback and Lease-to-service Obligations

From January 1997 through July 2003, LACMTA entered into a number of "Lease/leaseback" leveraged lease agreements for assets including heavy rail vehicles, buses, light rail vehicles, and various real property operating facilities. Under these agreements, LACMTA entered into a head lease as lessor with an investor and simultaneously entered into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments that were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled payments through exercise of the early buyout option. LACMTA realized \$64,700 in net benefits after funding of the fixed income investments and payment of transaction expenses.

For the leveraged lease transactions, LACMTA was obligated to insure and maintain the facilities, buses, and rail cars. The leveraged lease agreements provided LACMTA's right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. LACMTA agreed to indemnify the investors against increased costs, and any new or increased taxes or fees imposed on the leased assets, and cash flows or income of the lease, other than changes to the income tax rate.

The proceeds from various finance obligations have been recorded as lease accounts in the Statement of Net Position of the Enterprise Fund. LACMTA entered into various lease/leaseback agreements in the form of Payment Undertakings, Equity Payment Undertakings and Guaranteed Investment Certificates with various investment providers. These were general obligations of the investment providers for the benefit of the trust. As of June 30, 2018, these lease/leaseback agreements totaled \$238,344. These funds were placed with fiscal agents and are sufficient to cover all scheduled payments.

The related liabilities are shown as long-term debt in the business-type activities. This debt will be repaid from earnings on the related investments together with the principal amounts of the investments.

American International Group Inc. (AIG) or its affiliates provided a fixed income investment product known as a "payment undertaking agreement" (PUA) that was used in eight of the lease/leaseback transactions in order to invest the proceeds to fund all the scheduled rent payments and early buy-out option payments. In addition, LACMTA obtained credit enhancement from AIG and Assured Guaranty Municipal Corp. (AGM, as successor to Financial Security Assurance Inc.) for several of the transactions. As a result of declines in AIG's and AGM's credit ratings, LACMTA was contractually obligated to replace the PUAs or provide credit enhancement for eight transactions. The remaining two were unaffected.

LACMTA has terminated five of the eight affected leases and has entered into collateral posting agreements for one other lease. Issues remain with two of the affected leases and LACMTA is discussing potential solutions with the applicable lessors. Failure to reach a solution with respect to the two remaining affected transactions could result in early termination of the transactions and could require LACMTA to pay up to \$35,517 plus legal costs.

Lease/leaseback obligations activities for the fiscal year ended June 30, 2018 are as follows:

LEASE	INTEREST RATE	BALANCE JULY 1, 2017	ADDITIONS (1)	REDUCTIONS	BALANCE JUNE 30, 2018	DUE WITHIN ONE YEAR (2)
Comerica/CIBC/ Northwest Lease	6.79% - 7.64%	\$ 101,603	\$ 3,600	\$ -	\$ 105,203	\$ (3,862)
First Hawaiian Lease	6.61%	59,892	3,652	(436)	63,108	(3,864)
Fleet Lease	6.79% - 7.64%	66,520	4,137	(624)	70,033	(4,377)
Total		\$ 228,015	\$ 11,389	\$ (1,060)	\$ 238,344	\$ (12,103)

(1) Additions represent loan accretion, which is the accrued interest, or a portion thereof, added to the principal amount.

(2) Negative amounts due within one year represent interest accretion to the principal.

Notes to the Financial Statements

June 30, 2018

General Revenue Refunding Bonds

General revenue bonds are issued to generate financing for the acquisition, construction and major rehabilitation of capital assets. The general revenue bonds were issued to fund the cost of the LACMTA's 27-story headquarters building, including parking and related improvements. Refunding bonds were subsequently issued to refinance the original debt to achieve debt service savings. Both bonds were issued at a fixed rate.

General revenue refunding bonds outstanding as of June 30, 2018 are as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATE TO MATURITY	BALANCE JULY 1, 2017	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2018	DUE WITHIN ONE YEAR
2010A Bonds	\$ 79,620	2010	2021	3.00% - 5.00 %	\$ 40,980	\$ -	\$ (8,140)	\$ 32,840	\$ 8,700
2015 Bonds	64,770	2015	2027	3.00% - 5.00 %	64,770	-	-	64,770	-
Total					\$ 105,750	-	\$ (8,140)	\$ 97,610	\$ 8,700

Notes Payable

Notes payable principal outstanding as of June 30, 2018 are as follows:

LENDER	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATE TO MATURITY	BALANCE JULY 1, 2017	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2018
Western Alliance	\$ 16,407	2008	2018	4.04%	\$ 1,008	\$ -	\$ (1,008)	\$ -
TIFIA Loan – CPC	545,900	2012	2034	2.43%	566,770	13,894	-	580,664
Total					\$ 567,778	\$ 13,894	\$ (1,008)	\$ 580,664

In September 2012, LACMTA secured a loan of \$545,900 from the United States Department of Transportation (USDOT) under its Transportation Infrastructure Finance and Innovation Act (TIFIA) to partially finance the construction of the Crenshaw/LAX Transit Corridor. The loan, secured by a portion of LACMTA's Measure R sales tax revenue allocated to the Crenshaw/LAX Transit Corridor project, bears interest at 2.43% per annum on the outstanding balance with a maturity date of June 1, 2034. As of June 30, 2018, LACMTA has drawn \$545,900, the full amount of the TIFIA loan. The outstanding balance of \$580,664 includes \$34,764 interest accretion through June 30, 2018. Interest on the note is payable semi-annually on June 1 and December 1 of each year commencing December 1, 2020, and principal is due and payable annually on June 1 of each year beginning June 1, 2022.

Commercial Paper Notes and Revolving Lines of Credit

As of June 30, 2018, the outstanding balances of the commercial paper notes and revolving lines of credit are as follows:

	PROP A	PROP C	MEASURE R	BALANCE JUNE 30, 2018
Commercial Paper Notes	\$ 107,500	\$ 5,309	\$ -	\$ 112,809
Revolving credit lines	-	-	65,213	65,213
Bond purchase agreement	-	-	210	210
Total	\$ 107,500	\$ 5,309	\$ 65,423	\$ 178,232

Notes to the Financial Statements

June 30, 2018

LACMTA issues Commercial Paper Notes (CPN) to provide interim financing for construction and acquisition activities, including construction of transit and rail capital projects and rail right-of-way acquisitions. LACMTA operates two commercial paper programs, Proposition A and Proposition C CPN, to maintain access to a low cost and flexible source of capital financing. LACMTA taxable and tax-exempt CPN are issued with maturity dates ranging from one to 270 days at various interest rates.

As of June 30, 2018, LACMTA's Proposition A CPN program is authorized to issue up to \$350,000 aggregate principal amount of Proposition A CPN, with \$350,000 in letters of credit in place. On August 17, 2017, LACMTA entered into a letter of credit with Citi for \$150,000, which expires on July 31, 2020. The letters of credit supporting the Proposition A commercial paper program with Sumitomo Bank and Union Bank will expire on March 7, 2019.

The Proposition C CPN program has \$150,000 credit capacity that includes a \$75,000 letter of credit and another \$75,000 revolving credit facility. The letter of credit supporting the Proposition C commercial paper program will expire on April 5, 2019 while the revolving credit line will expire on March 28, 2019. Pursuant to the terms of the Proposition C Revolving Credit Agreement, the Proposition C revolving obligations bear interest at variable rates. The outstanding principal balance of all Proposition C revolving obligations outstanding are due and payable on March 28, 2019, except as provided in the Proposition C Revolving Credit Agreement. However, subject to the terms of the Proposition C Revolving Credit Agreement, LACMTA can convert any outstanding Proposition C revolving obligations to a term loan that will be payable in twelve equal quarterly installments following March 28, 2019.

Under the terms of the commercial paper programs, maturing principal amounts can be rolled-over by issuing new notes. It is the intention of LACMTA to pay the accrued interest and reissue the principal amounts as they mature. Therefore, the outstanding amounts were classified as non-current liabilities. LACMTA periodically retires CPN by issuing long-term, fixed-rate bonds.

The Proposition A and Proposition C commercial paper programs are supported by direct-pay irrevocable letters of credit. The letters of credit are issued by one bank for the Proposition C CPN program and another two banks for the Proposition A CPN program. All of the banks are required to have a short-term credit rating of at least A-1/P-1. The letters of credit are drawn upon at each note maturity to pay the principal and interest due. Principal advanced by the banks and paid to the holders of the matured notes is reimbursed to the banks either by issuing new notes or by direct payment from LACMTA.

Interest is paid on a current basis from sales tax revenues. In the event that the CPN dealers are unable to remarket the commercial paper and/or LACMTA is unable to repay the interest or principal, the banks will incur an unreimbursed draw on the letters of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loan for Proposition C CPN is repayable over a period of four years with equal quarterly principal payments. The term loan for Proposition A CPN is repayable beginning nine months after the commencement of the term loan, with quarterly principal payments over a period of two years and three months. Interest is charged at rates specified in the applicable reimbursement agreement.

Under the Proposition C Revolving Credit Agreement between the LACMTA and Wells Fargo Bank, LACMTA is authorized to issue up to \$75,000 in Subordinate Proposition C Sales Tax Revenue Revolving Obligations.

Notes to the Financial Statements

June 30, 2018

In July 2013, LACMTA entered into an agreement with Alameda Corridor East Construction Authority (ACE) for the purpose of providing a working capital loan of up to \$45,000. In September 2013, LACMTA borrowed \$20,000 from its taxable Proposition C revolving credit facility and another \$25,000 from its tax-exempt Proposition C revolving credit facility in November 2013 on behalf of ACE. The term of the loan shall commence on the date of the first drawdown and shall terminate on the earlier to occur of 1) 10 years from commencement date, or 2) the point in time where LACMTA has an outstanding obligation to fund its last \$75,000 in Measure R or Proposition C funds. All costs associated with the loan are billed to and paid by ACE as they are incurred so that there is no additional cost to LACMTA on this loan.

All Proposition C revolving obligations are purchased by Wells Fargo Bank in accordance with the Proposition C Revolving Credit Agreement. The Proposition C revolving obligations are payable from the Proposition C sales tax revenue on a basis subordinate to the lien on Proposition C Senior bonds.

In addition to the CPN Program, LACMTA's Board authorized up to \$200,000 of short-term borrowings for which obligations are payable from the Measure R sales tax revenues on a subordinate basis to the Measure R Senior obligations and on a senior basis to the Measure R Junior Subordinate obligations to provide interim financing and to fund cash flow requirements for construction payments until funding sources are received or until long-term financing is arranged. The short-term borrowing program includes subordinate revolving credit obligations with two banks for an aggregate maximum principal amount of \$150,000 and a bond purchase agreement with another bank that will sell from time to time up to an aggregate principal amount of \$150,000 subordinate bonds. The Measure R Subordinate Revolving obligations are purchased by State Street Public Lending Corporation, in a principal amount not to exceed \$100,000, and by Bank of the West, in a principal amount not to exceed \$50,000 in accordance with the terms of a revolving credit agreement. The obligations issued under the revolving credit lines bear variable interest at rates based on the SIFMA or LIBOR Index as determined pursuant to the terms of the revolving credit agreements. Except as otherwise provided under the terms of the credit agreements, all principal amounts outstanding are due and payable on November 20, 2020 at which time, LACMTA has the option to convert any outstanding balance to term loans that will be payable in twelve equal quarterly installments following November 20, 2020.

In addition, LACMTA entered into a bond purchase agreement with an underwriter, RBC Capital Markets, LLC to sell from time to time up to \$150,000 aggregate principal amount of Subordinate Series C Bonds, which, in turn, sells the bonds to RBC Municipal Products, LLC. The Subordinate Series C Bonds bear variable interest rates. Under the terms of the agreements, the principal of all Subordinate Series C Bonds outstanding is due and payable on November 20, 2020.

Notes to the Financial Statements

June 30, 2018

Annual Debt Service Requirement

LACMTA's annual debt service requirement for long-term debt, lease/leaseback obligations, and notes payable as of June 30, 2018 are as follows:

Business-type Activities

> Sales Tax Revenue and Refunding Bonds

YEAR ENDING JUNE 30	PROP A		
	PRINCIPAL	INTEREST	TOTAL
2019	\$ 93,755	\$ 64,873	\$ 158,628
2020	102,160	55,522	157,682
2021	107,695	50,306	158,001
2022	110,565	44,860	155,425
2023	87,900	39,898	127,798
2024-2028	304,340	146,320	450,660
2029-2033	159,285	94,913	254,198
2034-2038	156,165	57,851	214,016
2039-2043	159,185	20,674	179,859
Total	\$ 1,281,050	\$ 575,217	\$ 1,856,267

YEAR ENDING JUNE 30	PROP C		
	PRINCIPAL	INTEREST	TOTAL
2019	\$ 93,630	\$ 67,083	\$ 160,713
2020	97,885	63,154	161,039
2021	98,375	58,300	156,675
2022	92,180	53,575	145,755
2023	96,755	48,866	145,621
2024-2028	327,485	185,046	512,531
2029-2033	233,030	121,407	354,437
2034-2038	219,660	66,272	285,932
2039-2043	160,975	18,624	179,599
Total	\$ 1,419,975	\$ 682,327	\$ 2,102,302

YEAR ENDING JUNE 30	MEASURE R		
	PRINCIPAL (1)	INTEREST	TOTAL
2019	\$ 33,755	\$ 60,009	\$ 93,764
2020	57,115	98,855	155,970
2021	61,745	75,622	137,367
2022	63,926	73,165	137,091
2023	66,253	70,536	136,789
2024-2028	370,821	307,660	678,481
2029-2033	473,383	215,898	689,281
2034-2038	590,883	96,545	687,428
2039	78,421	3,896	\$82,317
Total	\$ 1,796,302	\$ 1,002,186	\$ 2,798,488

(1) Includes Measure R Junior Subordinate Bonds Series 2014A, 2014B and 2016A with aggregate principal balance of \$682,477 outstanding as of June 30, 2018.

PROP A: Proposition A

PROP C: Proposition C

Notes to the Financial Statements

June 30, 2018

> General Revenue Refunding Bonds and Notes Payable

YEAR ENDING JUNE 30	GENERAL REVENUE REFUNDING BONDS			NOTES PAYABLE		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL (1)	INTEREST	TOTAL
2019	\$ 8,700	\$ 4,486	\$ 13,186	\$ (13,010)	\$ 13,010	\$ -
2020	9,295	4,078	13,373	(14,534)	14,534	-
2021	9,595	3,632	13,227	(59)	14,759	14,700
2022	8,650	3,188	11,838	8,619	14,781	23,400
2023	9,080	2,766	11,846	8,829	14,571	23,400
2024-2028	52,290	6,702	58,992	156,383	67,217	223,600
2029-2033	-	-	-	348,642	37,658	386,300
2034	-	-	-	85,794	2,085	87,879
Total	\$ 97,610	\$ 24,852	\$ 122,462	\$ 580,664	\$ 178,615	\$ 759,279

> Lease/leaseback Obligations and Total Debt Service - Business-type Activities

YEAR ENDING JUNE 30	LEASE/LEASEBACK OBLIGATIONS			TOTAL DEBT SERVICE - BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL (2)	INTEREST	TOTAL	TOTAL ANNUAL PRINCIPAL	DEBT SERVICES INTEREST	BUSINESS-TYPE ACTIVITIES TOTAL
2019	\$ (12,103)	\$ 12,103	\$ -	\$ 184,603	\$ 239,822	\$ 424,425
2020	(14,667)	14,864	197	257,378	231,003	488,381
2021	(12,658)	14,605	1,947	264,693	217,285	481,978
2022	12,649	12,196	24,845	296,589	201,832	498,421
2023	12,051	10,141	22,192	280,868	186,848	467,716
2024-2028	52,054	58,491	110,545	1,263,373	771,823	2,035,196
2029-2033	173,526	17,575	191,101	1,387,866	487,957	1,875,823
2034-2038	27,337	-	27,337	1,079,839	223,406	1,303,245
2039-2043	155	-	155	398,736	43,194	441,930
Total	\$ 238,344	\$ 139,975	\$ 378,319	\$ 5,413,945	\$ 2,603,170	\$ 8,017,115

Pledged Revenues

LACMTA pledged its Proposition A, Proposition C and Measure R sales tax revenues, excluding sales tax allocated for administrative fees and local allocations, to repay sales tax revenue bonds, and sales tax revenue refunding bonds, and redevelopment and housing bonds while farebox revenues are pledged for the payment of the general revenue refunding bonds. These bonds were used to finance the acquisition of revenue vehicles and construction and renovation of major capital facilities. LACMTA is subject to maximum annual debt service policy limits set forth in its Debt Policy adopted by LACMTA's Board.

The table below presents LACMTA's pledged revenue, annual debt service, and debt service coverage for the fiscal year ended June 30, 2018:

SOURCE	GROSS RECEIPTS (3)	ALLOCATION RATE	LOCAL ALLOCATIONS	PLEGGED REVENUE	TOTAL DEBT SERVICE (4)	DEBT SERVICE COVERAGE
Prop A	\$ 836,529	25%	\$ 209,132	\$ 627,397	\$ 134,837	4.7
Prop C	836,545	20%	167,309	669,236	158,380	4.2
Measure R	836,721	15%	125,508	711,213	92,759	7.7
General Revenue bonds	361,703	-	-	361,703	13,003	27.8

(1) Principal amounts include interest accretion on TIFIA Loan that is due and payable beginning June 1, 2021. The principal outstanding of \$580,664 includes interest accretion of \$34,764 as of June 30, 2018.

(2) Principal amount includes interest accretion that are due and payable beginning January 1, 2022.

(3) Sales tax revenues are reported using the accrual basis of accounting, net of the State Board of Equalization administrative fees. Gross receipts on General Revenue bonds represent farebox revenues, advertising, revenues derived from LACMTA's leased properties, investment earnings and other revenues under non-operating revenue categories of the Enterprise fund.

(4) Total Debt Service represents actual principal & interest paid.

PROP A: Proposition A

PROP C: Proposition C

Notes to the Financial Statements

June 30, 2018

Significant Changes to Long-Term Bond and Note Obligations

Bonds Refunding and New Issue

In October 2017, LACMTA issued Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2017-A (Green Bonds) and Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2017-B with interest rate of 5%, for an aggregate principal amount of \$471,395 and \$85,455, respectively. The net proceeds of Series 2017-A bonds, including bond premium of \$103,433, and after payment of associated bond issuance costs and deposit for reserve funds, were used to finance existing Proposition A eligible capital projects and repay \$123,693 of outstanding principal balance of Proposition A Sales Tax Revenue Commercial Paper Notes. Principal payments are due on July 1 of each year starting July 1, 2022 and interest payments are due semi-annually on January 1 and July 1 of each year commencing on July 1, 2018, with final maturity on July 1, 2042. Additionally, the net proceeds of Series 2017-B bonds, including bond premium of \$16,001 and other available funds, were used to refund and defease \$91,110 outstanding balance of Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2011-B and pay the associated cost of bond issuance and deposit required for reserve funds. Principal payments are due on July 1 of each year starting July 1, 2022 and interest payments are due semi-annually on January 1 and July 1 of each year commencing on July 1, 2018, with final maturity on July 1, 2023.

In April 2018, LACMTA also issued an aggregate principal amount of \$13,890 of Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2018-A with interest rates ranging from 3% to 5%. The net proceeds, including bond premium together with available funds from accounts related to the refunded bonds, and after payment of associated bond issuance costs, were used to refund and defease \$17,705 outstanding balance of Proposition A 2008-B Sales Tax Revenue Refunding Bonds. Principal payments are due annually on July 1 of each year starting July 1, 2019 and interest payments are due and payable semi-annually on January 1 and July 1 of each year commencing July 1, 2019 with a final maturity on July 1, 2031. Additionally, LACMTA also issued an aggregate principal amount of \$54,965 of Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A with interest rates ranging from 3% to 5%. The net proceeds, including bond premium together with available funds from accounts related to the refunded bonds, and after payment of associated bond issuance costs and deposit for reserve funds, were used to refund and defease \$68,825 outstanding balance of Proposition C 2008-A Sales Tax Revenue Refunding Bonds.

Principal payments are due annually on July 1 of each year starting July 1, 2020 and interest payments are due and payable semi-annually on January 1 and July 1 of each year commencing January 1, 2019 with a final maturity on July 1, 2022.

The net carrying amount of the refunded Proposition A Series 2011-B, Proposition A Series 2008-B, and Proposition C Series 2008-A sales tax revenue refunding bonds exceeded the reacquisition price by \$6,518, \$219, and \$1,741, respectively. The difference between the net carrying amount and the reacquisition price is reported as deferred inflows of resources in the business-type activities of the government-wide financial statements and is amortized over the shorter of the life of the refunded or refunding bonds.

Notes to the Financial Statements

June 30, 2018

The net cash flow savings that resulted from the refunding are as follows:

REFUNDED DEBT	PRIOR NET CASH FLOW	REFUNDED DEBT SERVICE	NET CASH FLOW SAVINGS	NET PRESENT VALUE OF NET CASH FLOW SAVINGS
Prop A 2017-B refunding 2011-B	\$ 114,487	\$ 109,232	\$ 5,255	\$ 4,947
Prod A 2018-A refunding 2008-B	25,395	18,720	6,675	5,801
Prop C 2018-A refunding 2008-A	80,613	65,158	15,455	14,552
Total	\$ 220,495	\$ 193,110	\$ 27,385	\$ 25,300

Measure R Junior Subordinate Bonds

In fiscal year 2018, LACMTA made a total drawdown of \$521,316 of TIFIA loan that includes \$55,895 for the design and construction of the Regional Connector Transit Corridor, \$258,421 for the Westside Purple Line Extension Section 1 project, and \$207,000 for the Westside Purple Line Extension Section 2 project. Please refer to page 101 for more details on TIFIA loans.

Commercial Paper Notes and Revolving Lines of Credit

During fiscal year 2018, LACMTA issued an aggregate principal amount of \$50,000 of new Proposition A Tax-Exempt Commercial Paper Notes to fund the immediate cash flow requirements of current capital project expenditures as follows:

SERIES	PAR AMOUNT	TAX STATUS	TYPE OF CP NOTES	DEALER	LETTER OF CREDIT BANK
Prop A Series A-TE-CITI	\$ 16,667	Tax-Exempt	Fixed Rate	RBC Capital	Citibank, N.A.
Prop A Series A-TE-CITI	16,666	Tax-Exempt	Fixed Rate	Goldman	Citibank, N.A.
Prop A Series A-TE-CITI	16,667	Tax-Exempt	Fixed Rate	Barclays	Citibank, N.A.
Total	\$ 50,000				

Additionally, LACMTA made a drawdown of \$65,213 from the Measure R Sales Tax revolving line of credit to finance its existing capital projects that require immediate cash flow in fiscal year 2018.

The Proposition A commercial paper note and the Measure R revolving credit line are included in the outstanding balances of commercial paper notes and revolving lines of credit on pages 103-105.

Notes Payable

The note payable to Bank of America Capital Corporation with principal outstanding balance of \$127 was fully paid in February 2018. The note proceeds were used to finance the acquisition of the solar energy generator and conservation equipment including installation costs at the LACMTA's Support Services Center.

Notes to the Financial Statements

June 30, 2018

M. LEASES

Operating Leases

LACMTA has entered into various lease agreements as “Lessor” of various parcels of land located within the vicinity of the Red Line stations, including LA Union Station, which was acquired by LACMTA in April 2011. The majority of these leases will expire between 50 and 99 years. These leases are considered operating leases for accounting purposes and reported as period costs in the statement of revenues of the proprietary and governmental funds. The carrying value of the land held for lease as of June 30, 2018, is \$94,983 and is included under the Land caption in the capital assets section of the notes to the financial statements found on page 71.

LACMTA is committed under various leases as the “Lessee” of building and office spaces. These leases are considered for accounting purposes to be operating leases and reported as business-type activities. Lease expenditures for the year ended June 30, 2018 totaled \$8,425. Future minimum lease payments for these leases are as follows:

YEAR ENDING JUNE 30	AMOUNT
2019	\$ 8,425
2020	6,879
2021	7,068
2022	7,312
2023	7,597
Total	\$ 37,169

The following is a schedule by years of minimum future rentals to be received on noncancellable operating leases as of June 30, 2018:

YEAR ENDING JUNE 30	AMOUNT
2019	\$ 3,591
2020	3,589
2021	3,122
2022	3,139
2023	3,194
2024-2028	16,138
2029-2033	17,429
2034-2038	21,182
2039-2043	28,682
2044-2048	33,043
2049-2053	38,471
2054-2058	33,138
2059-2063	23,500
2064-2068	25,202
2069-2073	27,895
2074-2078	31,017
2079-2083	34,635
2084-2088	38,829
2089-2093	38,526
2094-2098	40,710
2099-2103	47,224
2104-2108	28,230
Total	\$ 540,486

Notes to the Financial Statements

June 30, 2018

N. CAPITAL AND MOU COMMITMENTS

LACMTA uses encumbrances accounting for its governmental funds. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditures of monies are encumbered to reserve applicable budget appropriations. Encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. Encumbrance balances for the governmental funds as of June 30, 2018 are as follows:

FUND	RESTRICTED	COMMITTED	ASSIGNED	TOTAL
General Fund	\$ 12	\$ 37,666	\$ 50,281	\$ 87,959
Proposition A	88,061	-	-	88,061
Proposition C	331,883	-	-	331,883
Measure R	285,897	-	-	285,897
Measure M	6,654	-	-	6,654
TDA	109,298	-	-	109,298
STA	648	-	-	648
Total	\$ 822,453	\$ 37,666	\$ 50,281	\$ 910,400

LACMTA's commitments to vendors for capital projects which are in various phases of development as of June 30, 2018 are as follows:

	TOTAL CONTRACT	REMAINING
Rail projects	\$ 6,308,453	\$ 3,037,256
Bus rapid transit ways	3,869	983
Bus acquisition and others	1,340,190	260,677
Total	\$ 7,652,512	\$ 3,298,916

Notes to the Financial Statements

June 30, 2018

O. JOINT POWERS

LACMTA is a member of the Southern California Regional Rail Authority (SCRRA), which was formed as a regional Joint Powers Agency between the transportation commissions of the Counties of Los Angeles, San Bernardino, Orange, Riverside, and Ventura. SCRRA's purpose is to plan, design, construct, and administer the operation of regional passenger rail lines serving the participating counties. SCRRA named the regional commuter rail system "Metrolink."

Metrolink's capital acquisition and expansion have been funded by contributions from member agencies and the State of California. LACMTA provides funding for the majority of Metrolink's operating and capital costs. As of June 30, 2018, the total outstanding payables and commitments were \$3,666 and \$32,149, respectively.

A summary of financial information for the SCRRA for the year ended June 30, 2017 (most recent data available) is as follows:

Total assets	\$ 1,549,148
Deferred outflows of resources	6,570
Total assets and deferred outflows of resources	<u>1,555,718</u>
Total Liabilities	165,109
Deferred inflows of resources	2,649
Total liabilities and deferred inflows of resources	<u>167,758</u>
Net Position	<u>\$ 1,387,960</u>
Total Revenues	\$ 320,341
Total Expenses	314,524
Increase in Net Position	<u>\$ 5,817</u>

Additional detailed financial information is available from the Office of the Chief Financial Officer, SCRRA, 900 Wilshire Boulevard, suite 1500, Los Angeles, CA 90017-4791, or by visiting Metrolink's website at www.metrolinktrains.com.

Notes to the Financial Statements

June 30, 2018

P. LITIGATION AND OTHER CONTINGENCIES**Litigation**

Although various claims have been asserted against LACMTA, it is the opinion of LACMTA that none of the pending claims will materially and adversely affect LACMTA's ability to pay the principal and interest on any of its obligations.

Federal, State and Other Governmental Funding

LACMTA receives significant funding from federal, state, and other governmental grant funds as reimbursement for costs incurred. Such grants are subject to review and audit by the grantor agencies. These audits could result in disallowed expenditures under the terms of the grant or in reductions of future grant monies. Based on prior experience, LACMTA's management believes that costs ultimately disallowed, if any, would not materially affect the financial condition of LACMTA.

Excise Tax on Lease/Leaseback Transactions

Section 4965 of the Internal Revenue Code of 1986, as amended, imposes a federal excise tax (the Excise Tax) on the net income or proceeds of Sale In/Lease Out transactions entered into by tax-exempt entities, including states and their political subdivisions. Based on Section 4965 and the final Treasury Regulations thereunder, LACMTA believes that the Excise Tax will not have a material adverse effect on its financial condition or results of its operation.

Q. IMPLEMENTATION OF GASB 75

An adjustment of \$956,045 to business-type activities net position at July 1, 2017 was made to increase the net OPEB liability by \$1,558,965 and decrease the unfunded net OPEB obligation by \$553,821, and increase in the deferred outflow related to OPEB by \$49,099. The adjustment was made to reflect the opening balance related to the adoption of GASB 75.

R. SUBSEQUENT EVENTS**Lease/leaseback obligations**

In October 2018, LACMTA terminated two leases under its lease/leaseback service agreement with Bank of America for an additional cost of \$156. Bank of America exercised its purchase option on two lots of equipment, reducing the lease/leaseback obligation by \$70,034.

Long-term debt

LACMTA Board approved the issuance of Proposition C new money bond sale of \$650,000 on December 6, 2018 to be used to partially finance capital project expenditures in fiscal year 2019.



**Schedule of Changes in the Net Pension Liability and Related Ratios
California Public Employees' Retirement System (CalPERS) — Miscellaneous Plan — Last 10 Fiscal Years ⁽¹⁾**

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2015	2016	2017	2018
TOTAL PENSION LIABILITY				
Service cost	\$ 21,905	\$ 23,238	\$ 24,955	\$ 30,120
Interest on total pension liability	37,546	41,535	45,436	49,725
Difference between expected and actual experiences	-	(10,299)	2,012	41,661
Changes of assumptions	-	7,066	-	5,642
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)	(17,554)	(19,962)
Net change in total pension liability	46,052	45,811	54,849	107,186
Total pension liability – beginning of year	496,365	542,417	588,228	643,077
Total pension liability – end of year	542,417	588,228	643,077	750,263
Plan Fiduciary Net Position				
Contributions – Employer	13,313	14,415	17,510	20,266
Contributions – Employee	10,565	11,367	12,822	13,770
Net investment income	72,179	11,202	2,850	59,678
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)	(17,554)	(19,962)
Administrative expense	-	(581)	(310)	(773)
Net change in fiduciary net position	82,658	20,674	15,318	72,979
Plan fiduciary net position – beginning of year	405,047	487,705	508,379	523,697
Plan fiduciary net position – end of year	487,705	508,379	523,697	596,676
Plan net pension liability – end of year	\$ 54,712	\$ 79,849	\$ 119,380	\$ 153,587
Plan fiduciary net position as a percentage of the total pension liability	89.91%	86.43%	81.44%	79.53%
Covered payroll	\$ 145,140	\$ 159,124	\$ 173,744	\$ 192,457
Plan net pension liability as a percentage of covered payroll	37.70%	50.18%	68.71%	79.80%

Notes to Schedule:

> **Benefit Changes**

The figures presented above do not include any liability that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of two years additional service credits (a.k.a. Golden Handshakes).

> **Changes of Assumptions**

For the period ended June 30, 2016, the discount rate increased from 7.50% to 7.65%. In 2018, the discount rate decreased from 7.65% to 7.15%.

(1) The amounts presented for each reporting fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.

**Schedule of Contributions
California Public Employees' Retirement System (CalPERS) — Miscellaneous Plan — Last 10 Fiscal Years ⁽¹⁾**

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2015	2016	2017	2018
Actuarially determined contribution	\$ 25,270	\$ 27,306	\$ 30,333	\$ 32,642
Contributions in relation to the actuarially determined contribution	(25,270)	(27,306)	(30,333)	(32,642)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 158,633	\$ 186,951	\$ 189,193	\$ 205,206
Contributions as a percentage of covered payroll	15.93%	14.61%	16.03%	15.91%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for FY17 were obtained from the June 30, 2015 actuarial valuation report:

Actuarial cost method	Entry age normal
Actuarial assumptions	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.65% net of pension plan investment and administrative expenses; includes inflation
Mortality rate table	Derived using CalPERS' membership data
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Additional years will be presented as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD) — Last 10 Fiscal Years ⁽¹⁾

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2015	2016	2017	2018
Total Pension Liability – beginning of year	\$ 660,053	\$ 683,777	\$ 748,848	\$ 778,530
Service cost	19,054	19,135	19,930	18,495
Interest	46,123	47,691	52,470	54,313
Difference between expected and actual experiences	(317)	19,103	(3,662)	5,941
Changes of assumptions	-	23,116	-	-
Benefit payments paid from trust	(40,145)	(43,015)	(38,001)	(41,735)
Transfer of contributions between plans	(991)	(959)	(1,055)	(1,227)
Net change in total pension liability	23,724	65,071	29,682	35,787
Total pension liability – end of year	683,777	748,848	778,530	814,317
Fiduciary net position – beginning of year	462,402	541,017	539,161	538,204
Contributions – LACMTA	23,568	19,780	21,369	22,015
Contributions – Employees	15,920	16,528	18,490	18,148
Net investment income	80,714	6,446	(1,404)	67,046
Benefit payments	(40,145)	(43,014)	(38,001)	(41,735)
Administrative expenses	(451)	(637)	(356)	(417)
Transfer of contributions between plans	(991)	(959)	(1,055)	(1,227)
Net change in fiduciary net position	78,615	(1,856)	(957)	63,830
Fiduciary net position – end of year	541,017	539,161	538,204	602,034
Net pension liability – end of year	\$ 142,760	\$ 209,687	\$ 240,326	\$ 212,283
Funded ratio	79.12%	72.00%	69.13%	73.93%
Covered payroll	\$ 173,322	\$ 187,395	\$ 193,246	\$ 192,342
Net pension liability as a percentage of covered payroll	82.37%	111.90%	124.36%	110.37%

Notes to Schedule:

In FY2016, for the SMART-TD plan, the percentage of participants assumed to elect lump-sum was decreased from 35% to 30%, the age-based termination rates were increased and the retirement rates were increased at service levels for 23 to 29 years.

In FY2017 and FY2018, there were no changes in assumptions.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.

Schedule of Changes in Net Position Liability and Related Ratios — Employee Retirement Income Plans Transportation Communication Union Plan (TCU) — Last 10 Fiscal Years ⁽¹⁾

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2015	2016	2017	2018
Total Pension Liability – beginning of year	\$ 128,421	\$ 136,120	\$ 151,272	\$ 159,084
Service cost	3,342	3,622	4,317	4,502
Interest	9,020	9,615	10,672	11,215
Difference between expected and actual experiences	1,246	1,559	(786)	3,944
Changes of assumptions	-	5,213	-	-
Benefit payments paid from trust	(5,787)	(4,716)	(6,268)	(6,689)
Transfer of contributions between plans	(122)	(141)	(123)	(179)
Net change in total pension liability	7,699	15,152	7,812	12,793
Total pension liability – end of year	136,120	151,272	159,084	171,877
Fiduciary net position – beginning of year	90,413	107,551	110,820	111,931
Contributions – LACMTA	5,466	4,741	5,615	5,955
Contributions – Employees	1,769	2,300	2,557	2,751
Net investment income	16,005	1,294	(347)	14,090
Benefit payments	(5,787)	(4,716)	(6,268)	(6,689)
Administrative expenses	(193)	(209)	(323)	(208)
Transfer of contributions between plans	(122)	(141)	(123)	(179)
Net change in fiduciary net position	17,138	3,269	1,111	15,720
Fiduciary net position – end of year	107,551	110,820	111,931	127,651
Net pension liability – end of year	\$ 28,569	\$ 40,452	\$ 47,153	\$ 44,226
Funded ratio	79.01%	73.26%	70.36%	74.27%
Covered payroll	\$ 28,978	\$ 34,512	\$ 37,014	\$ 39,764
Net pension liability as a percentage of covered payroll	98.59%	117.21%	127.39%	111.22%

Notes to Schedule:

In FY2016, for the TCU plan, retirement rates changed at services levels of less than 25 years. The retirement rate at exactly 23 years of services was increased and the retirement rates levels were decreased.

In FY2017 and FY2018, there were no changes in assumptions.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan American Federation of State, County and Municipal Employee Plan (AFSCME) — Last 10 Fiscal Years ⁽¹⁾

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2015	2016	2017	2018
Total Pension Liability – beginning of year	\$ 64,607	\$ 66,226	\$ 70,656	\$ 70,372
Service cost	391	318	235	192
Interest	4,384	4,438	4,790	4,778
Difference between expected and actual experiences	872	1,839	(999)	(460)
Changes of assumptions	-	3,358	-	-
Benefit payments paid from trust	(4,835)	(6,393)	(5,018)	(5,594)
Transfer of contributions between plans	807	870	708	890
Net change in total pension liability	1,619	4,430	(284)	(194)
Total pension liability – end of year	66,226	70,656	70,372	70,178
Fiduciary net position – beginning of year	54,938	61,926	58,392	55,149
Contributions - LACMTA	1,964	1,455	1,638	1,576
Net investment income	9,219	690	(251)	6,675
Benefit payments	(4,835)	(6,393)	(5,018)	(5,594)
Administrative expenses	(167)	(156)	(320)	(176)
Transfer of contributions between plans	807	870	708	890
Net change in fiduciary net position	6,988	(3,534)	(3,243)	3,371
Fiduciary net position – end of year	61,926	58,392	55,149	58,520
Net pension liability – end of year	\$ 4,300	\$ 12,264	\$ 15,223	\$ 11,658
Funded ratio	93.51%	82.64%	78.37%	83.39%
Covered payroll	\$ 3,822	\$ 3,338	\$ 2,936	\$ 2,199
Net pension liability as a percentage of covered payroll	112.51%	367.41%	518.49%	530.15%

Notes to Schedule:

In FY2016, for the AFSCME plan, the percentage of participants assumed to elect lump sums decreased from 30% to 25%, the age-based termination rates were increased, and age-based rates previously not applied to participants with less than 30 years of services now apply to all New Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate of 30 years of services was increased (now only applied to the Old Plan participants).

In FY2017 and FY2018, there were no changes in assumptions.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan Non-Contract (NC) — Last 10 Fiscal Years ⁽¹⁾

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2015	2016	2017	2018
Total Pension Liability – beginning of year	\$ 147,574	\$ 148,935	\$ 156,795	\$ 158,813
Service cost	628	536	466	376
Interest	10,011	10,062	10,675	10,697
Difference between expected and actual experiences	587	191	(68)	2,577
Changes of assumptions	-	8,044	-	-
Benefit payments paid from trust	(10,540)	(11,661)	(9,697)	(13,762)
Transfer of contributions between plans	675	688	642	789
Net change in total pension liability	1,361	7,860	2,018	677
Total pension liability – end of year	148,935	156,795	158,813	159,490
Fiduciary net position – beginning of year	113,454	127,728	122,215	116,864
Contributions – LACMTA	5,074	4,186	4,531	4,566
Net investment income	19,276	1,493	(505)	13,936
Benefit payments	(10,540)	(11,661)	(9,697)	(13,762)
Administrative expenses	(211)	(219)	(322)	(213)
Transfer of contributions between plans	675	688	642	789
Net change in fiduciary net position	14,274	(5,513)	(5,351)	5,316
Fiduciary net position – end of year	127,728	122,215	116,864	122,180
Net pension liability – end of year	\$ 21,207	\$ 34,580	\$ 41,949	\$ 37,310
Funded ratio	85.76%	77.95%	73.59%	76.61%
Covered payroll	\$ 3,953	\$ 3,460	\$ 3,522	\$ 3,447
Net pension liability as a percentage of covered payroll	536.48%	999.42%	1,191.06%	1,082.39%

Notes to Schedule:

For the NC plan, the percentage of participants assumed to elect the lump sums decreased from 30% to 25%, the age-based termination rates were increased, and age-based rates previously not applied to participants with less than 30 years of services now apply to all New Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate at 30 years of service was increased (now only applied to the Old Plan participants).

In FY2017 and FY2018, there were no changes in assumptions.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan Amalgamated Transportation Union Plan (ATU) — Last 10 Fiscal Years ⁽¹⁾

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2015	2016	2017	2018
Total Pension Liability – beginning of year	\$ 417,566	\$ 445,951	\$ 505,143	\$ 542,889
Service cost	12,428	13,928	17,098	15,337
Interest	31,401	33,785	35,877	38,249
Changes to benefit terms	-	-	-	7,692
Difference between expected and actual experiences	(1,823)	1,060	4,176	(1,418)
Changes of assumptions	8,999	29,243	-	2,976
Benefit payments paid from trust	(22,251)	(18,366)	(19,233)	(23,365)
Transfer of contributions between plans	(369)	(458)	(172)	(273)
Net change in total pension liability	28,385	59,192	37,746	39,198
Total pension liability – end of year	445,951	505,143	542,889	582,087
Fiduciary net position – beginning of year	318,802	379,275	394,655	406,188
Contributions – LACMTA	20,126	21,257	22,782	25,423
Contributions – Employees	7,648	8,607	9,272	9,696
Net investment income	55,695	4,736	(731)	51,241
Benefit payments	(22,251)	(18,366)	(19,233)	(23,365)
Administrative expenses	(376)	(396)	(385)	(374)
Transfer of contributions between plans	(369)	(458)	(172)	(273)
Net change in fiduciary net position	60,473	15,380	11,533	62,348
Fiduciary net position – end of year	379,275	394,655	406,188	468,536
Net pension liability – end of year	\$ 66,676	\$ 110,488	\$ 136,701	\$ 113,551
Funded ratio	85.05%	78.13%	74.82%	80.49%
Covered payroll	\$ 113,462	\$ 118,355	\$ 127,258	\$ 142,665
Net pension liability as a percentage of covered payroll	58.77%	93.35%	107.42%	79.59%

Notes to Schedule:

In FY2016, for the ATU plan, the amount reported as assumption of changes reflects a change in the discount rate assumption from 7.50% to 7.00%. The discount rate better reflects the long-term return expectations for the plan over a 30-year horizon. The salary assumption was updated to reflect the negotiated rate increases over the next 3 years (4.25%, 2015-2017).

Changes to benefit terms reflects a negotiated benefit increase of a one-time 4% COLA for participants in payment status and a one-time 2% COLA for participants in DROP with an assumed payment effective date in September 2017.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan Totals for the Four Union Groups & Non-Contract (NC) — Last 10 Fiscal Years ⁽¹⁾

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2015	2016	2017	2018
Total Pension Liability – beginning of year	\$ 1,418,221	\$ 1,481,009	\$ 1,632,714	\$ 1,709,688
Service cost	35,843	37,539	42,046	38,902
Interest	100,939	105,591	114,484	119,252
Changes of benefit terms	-	-	-	7,692
Difference between expected and actual experiences	565	23,752	(1,339)	10,584
Changes of assumptions	8,999	68,974	-	2,976
Benefit payments paid from trust	(83,558)	(84,151)	(78,217)	(91,145)
Net change in total pension liability	62,788	151,705	76,974	88,261
Total pension liability – end of year	1,481,009	1,632,714	1,709,688	1,797,949
Fiduciary net position – beginning of year	1,040,009	1,217,498	1,225,243	1,228,336
Contributions – LACMTA	56,198	51,419	55,935	59,535
Contributions – Employees	25,337	27,435	30,319	30,595
Net investment income	180,910	14,659	(3,238)	152,988
Benefit payments	(83,558)	(84,151)	(78,217)	(91,145)
Administrative expenses	(1,398)	(1,617)	(1,706)	(1,388)
Net change in fiduciary net position	177,489	7,745	3,093	150,585
Fiduciary net position – end of year	1,217,498	1,225,243	1,228,336	1,378,921
Net pension liability – end of year	\$ 263,511	\$ 407,471	\$ 481,352	\$ 419,028
Funded ratio	82.21%	75.04%	71.84%	76.69%
Covered payroll	\$ 323,537	\$ 347,060	\$ 363,976	\$ 380,417
Net pension liability as a percentage of covered payroll	81.45%	117.41%	132.24%	110.15%

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 that occurred one year prior. Additional years will be presented as they become available.

**Schedule of Contributions to Employee Retirement Plan
Last 10 Fiscal Years ⁽¹⁾**

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2015	2016	2017	2018
SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION (SMART-TD)				
Actuarially determined contribution	\$ 19,780	\$ 21,369	\$ 22,011	\$ 21,467
Contributions in relation to the actually determined contribution	(19,780)	(21,369)	(22,011)	(21,467)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 187,395	\$ 193,246	\$ 193,246	\$ 192,342
Contributions as a percentage of covered payroll	10.56%	11.06%	11.39%	11.16%
TRANSPORTATION COMMUNICATION UNION PLAN (TCU)				
Actuarially determined contribution	\$ 4,741	\$ 5,615	\$ 5,957	\$ 6,218
Contributions in relation to the actually determined contribution	(4,741)	(5,615)	(5,957)	(6,218)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 34,512	\$ 37,014	\$ 37,014	\$ 39,764
Contributions as a percentage of covered payroll	13.74%	15.17%	16.09%	15.64%
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEE PLAN (AFSCME)				
Actuarially determined contribution	\$ 1,455	\$ 1,638	\$ 1,575	\$ 1,378
Contributions in relation to the actually determined contribution	(1,455)	(1,638)	(1,575)	(1,378)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,338	\$ 2,936	\$ 2,938	\$ 2,199
Contributions as a percentage of covered payroll	43.59%	55.79%	53.61%	62.66%
NON-CONTRACT (NC)				
Actuarially determined contribution	\$ 4,186	\$ 4,531	\$ 4,565	\$ 4,195
Contributions in relation to the actually determined contribution	(4,186)	(4,531)	(4,565)	(4,195)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,460	\$ 3,522	\$ 3,521	\$ 3,447
Contributions as a percentage of covered payroll	120.98%	128.65%	129.65%	121.70%
AMALGAMATED TRANSPORTATION UNION PLAN (ATU)				
Actuarially determined contribution	\$ 21,257	\$ 22,781	\$ 25,423	\$ 27,157
Contributions in relation to the actually determined contribution	(21,257)	(22,781)	(25,423)	(27,157)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 118,355	\$ 127,258	\$ 141,142	\$ 144,022
Contributions as a percentage of covered payroll	17.96%	17.90%	18.01%	18.86%
TOTAL				
Actuarially determined contribution	\$ 51,419	\$ 55,934	\$ 59,531	\$ 60,415
Contributions in relation to the actually determined contribution	(51,419)	(55,934)	(59,531)	(60,415)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 347,060	\$ 363,976	\$ 377,861	\$ 381,774
Contributions as a percentage of covered payroll	14.82%	15.37%	15.75%	15.82%

(1) Additional years will be presented as they become available.

**Schedule of Changes in Net OPEB Liability and Related Ratios — Other Postemployment Benefits Plan
Last 10 Fiscal Years ⁽¹⁾**

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2018
Total OPEB Liability	
Service cost	\$ 86,058
Interest	55,924
Difference between expected and actual experiences	(179,706)
Changes of assumptions	(191,475)
Benefit payments	(23,558)
Net change in total OPEB liability	(252,757)
Total OPEB liability – beginning of year	1,854,031
Total OPEB liability – end of year	1,601,274
Plan Fiduciary Net Position	
Contributions – Employer	31,933
Net investment income	35,666
Benefit payments	(23,558)
Administrative expenses	(167)
Net change in fiduciary net position	43,874
Plan Fiduciary Net Position – beginning of year	295,066
Plan Fiduciary Net Position – end of year	338,940
Net pension liability – end of year	\$ 1,262,334
Net Position as a Percentage of OPEB Liability	21.17%
Covered payroll	\$ 747,036
Net OPEB Liability as a Percentage of Payroll	168.98%

Note to Schedule:

There were no changes in benefit terms as of June 30, 2018.

> **Changes of Assumptions**

For GASB 75 implementation, the following assumptions were changed from prior valuations:

- Changed cost method to Entry Age Normal, resulting in an increase in liabilities.
- The discount rate was changed from 4.00% to 3.70%, resulting in increase in liabilities
- Mortality assumptions were updated to reflect the most recent base tables and projections improvement methodology which decreased liabilities
- Other demographic assumptions were revised to reflect recent plan experience (and future plan election assumptions and dependent coverage assumptions), resulting in a small increase in liabilities
- Future healthcare costs are lower than anticipated resulting in liability decreases

Only one year is shown as fiscal year 2018 was the first year of implementation of GASB 75 for the Plan. Additional years will be presented as they become available.

(1) Additional years will be presented as they become available.

**Schedule of Investment Returns – Other Postemployment Benefits Plan
Last 10 Fiscal Years**

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2017	2018
Annual money-weighted rate of return, net of investment expense	11.73%	11.73%

Note to Schedule:

Only two years are shown. GASB 74 was implemented for the Plan in fiscal year 2017 and GASB 75 was implemented in fiscal year 2018. Additional years will be presented as they become available.

**Schedule of Contributions — Other Postemployment Benefits Plan
Last 10 Fiscal Years**

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	2017	2018
Pay-as-you-go contribution ⁽¹⁾	\$ 26,203	\$ 25,671
Contribution in relation to Pay-as-you-go contribution	31,203	30,671
Contribution deficiency (excess)	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>

Note to Schedule:

GASB 74 was implemented in fiscal year 2017. Additional years will be presented as they become available.

(1) LACMTA's funding is not based on actuarially determined contributions nor is it statutorily established. Annual contributions are based on estimated pay-as-you-go costs plus \$5 million as a liability reduction contribution. Pay-as-you-go costs are the premiums paid for retiree health benefits (NC and AFSCME) plus the contractual contributions to ATU, TCU, and SMART Health & Welfare Trusts per each union's Collective bargaining agreement.

Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual General Fund

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	BUDGETED AMOUNTS ⁽¹⁾		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ 54,521	\$ 54,521	\$ 35,510	\$ (19,011)
Investment income	1,080	1,080	6,386	5,306
Net decline in fair value of investments	-	-	(1,670)	(1,670)
Lease and rental	15,247	15,247	18,139	2,892
Licenses and fines	500	500	652	152
Other	9,134	9,134	62,458	53,324
TOTAL REVENUES	80,482	80,482	121,475	40,993
EXPENDITURES				
Current:				
Administration and other	156,105	161,072	113,139	47,933
Transportation subsidies	61,676	46,602	34,481	12,121
TOTAL EXPENDITURES	217,781	207,674	147,620	60,054
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(137,299)	(127,192)	(26,145)	101,047
OTHER FINANCING SOURCES (USES)				
Transfers in	44,182	44,182	89,639	45,457
Transfers out	(122,840)	(122,840)	(158,475)	(35,635)
TOTAL OTHER FINANCING SOURCES (USES)	(78,658)	(78,658)	(68,836)	9,822
NET CHANGE IN FUND BALANCES	(215,957)	(205,850)	(94,981)	110,869
Fund balances – beginning of year	449,539	449,539	449,539	-
FUND BALANCES – END OF YEAR	\$ 233,582	\$ 243,689	\$ 354,558	\$ 110,869

(1) Budget prepared in accordance with GAAP.

Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual Proposition A Fund

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	BUDGETED AMOUNTS ⁽¹⁾		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Sales tax	\$ 802,000	\$ 802,000	\$ 836,529	\$ 34,529
Investment income	-	-	629	629
Net decline in fair value of investments	-	-	(189)	(189)
TOTAL REVENUES	802,000	802,000	836,969	34,969
EXPENDITURES				
Current:				
Transportation subsidies	313,687	313,687	326,011	(12,324)
TOTAL EXPENDITURES	313,687	313,687	326,011	(12,324)
EXCESS OF REVENUES OVER EXPENDITURES	488,313	488,313	510,958	22,645
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,242	2,242
Transfers out	(493,903)	(493,903)	(520,749)	(26,846)
TOTAL OTHER FINANCING SOURCES (USES)	(493,903)	(493,903)	(518,507)	(24,604)
NET CHANGE IN FUND BALANCES	(5,590)	(5,590)	(7,549)	(1,959)
Fund balances – beginning of year	134,674	134,674	134,674	-
FUND BALANCES – END OF YEAR	\$ 129,084	\$ 129,084	\$ 127,125	\$ (1,959)

(1) Budget prepared in accordance with GAAP.

Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual Proposition C Fund

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	BUDGETED AMOUNTS ⁽¹⁾		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Sales tax	\$ 802,001	\$ 802,001	\$ 836,545	\$ 34,544
Intergovernmental	12,415	12,415	40,929	28,514
Investment income	-	-	443	443
Net decline in fair value of investments	-	-	(56)	(56)
TOTAL REVENUES	814,416	814,416	877,861	63,445
EXPENDITURES				
Current:				
Administration and other	55,152	52,780	63,529	(10,749)
Transportation subsidies	470,545	491,545	451,408	40,137
TOTAL EXPENDITURES	525,697	544,325	514,937	29,388
EXCESS OF REVENUES OVER EXPENDITURES	288,719	270,091	362,924	92,833
OTHER FINANCING SOURCES (USES)				
Transfers in	86,208	86,208	51,044	(35,164)
Transfers out	(515,042)	(515,042)	(449,744)	65,298
TOTAL OTHER FINANCING SOURCES (USES)	(428,834)	(428,834)	(398,700)	30,134
NET CHANGE IN FUND BALANCES	(140,115)	(158,743)	(35,776)	122,967
Fund balances – beginning of year	214,721	214,721	214,721	-
FUND BALANCES – END OF YEAR	\$ 74,606	\$ 55,978	\$ 178,945	\$ 122,967

(1) Budget prepared in accordance with GAAP.

Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual Measure R Fund

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	BUDGETED AMOUNTS ⁽¹⁾		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Sales tax	\$ 802,001	\$ 802,001	\$ 836,721	\$ 34,720
Intergovernmental	7,776	7,776	7,588	(188)
Investment income	-	-	5,965	5,965
Net decline in fair value of investments	-	-	(1,857)	(1,857)
TOTAL REVENUES	809,777	809,777	848,417	38,640
EXPENDITURES				
Current:				
Administration and other	174,432	188,309	132,395	55,914
Transportation subsidies	349,580	336,084	372,929	(36,845)
TOTAL EXPENDITURES	524,012	524,393	505,324	19,069
EXCESS OF REVENUES OVER EXPENDITURES	285,765	285,384	343,093	57,709
OTHER FINANCING SOURCES (USES)				
Transfers in	40,343	40,343	30,720	(9,623)
Transfers out	(469,603)	(469,603)	(321,893)	147,710
TOTAL OTHER FINANCING SOURCES (USES)	(429,260)	(429,260)	(291,173)	138,087
NET CHANGE IN FUND BALANCES	(143,495)	(143,876)	51,920	195,796
Fund balances – beginning of year	362,645	362,645	362,645	-
FUND BALANCES – END OF YEAR	\$ 219,150	\$ 218,769	\$ 414,565	\$ 195,796

(1) Budget prepared in accordance with GAAP.

Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual Measure M Fund

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	BUDGETED AMOUNTS ⁽¹⁾		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Sales tax	\$ 761,899	\$ 761,899	\$ 826,969	\$ 65,070
Intergovernmental	-	-	-	-
Investment income	-	-	1,887	1,887
Net decline in fair value of investments	-	-	(2,171)	(2,171)
TOTAL REVENUES	761,899	761,899	826,685	64,786
EXPENDITURES				
Current:				
Administration and other	17,256	17,478	4,995	12,483
Transportation subsidies	174,268	174,268	182,415	(8,147)
TOTAL EXPENDITURES	191,524	191,746	187,410	4,336
EXCESS OF REVENUES OVER EXPENDITURES	570,375	570,153	639,275	69,122
OTHER FINANCING SOURCES (USES)				
Transfers out	(393,394)	(393,394)	(209,707)	183,687
TOTAL OTHER FINANCING SOURCES (USES)	(393,394)	(393,394)	(209,707)	183,687
NET CHANGE IN FUND BALANCES	176,981	176,759	429,568	252,809
FUND BALANCES – END OF YEAR	\$ 176,981	\$ 176,759	\$ 429,568	\$ 252,809

(1) Budget prepared in accordance with GAAP.

Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual Transportation Development Act Fund

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	BUDGETED AMOUNTS ⁽¹⁾		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Sales taxes	\$ 401,000	\$ 401,000	\$ 411,672	\$ 10,672
Investment income	-	-	4,180	4,180
TOTAL REVENUES	401,000	401,000	415,852	14,852
EXPENDITURES				
Current:				
Transportation subsidies	128,448	128,448	146,229	(17,781)
TOTAL EXPENDITURES	128,448	128,448	146,229	(17,781)
EXCESS OF REVENUES OVER EXPENDITURES	272,552	272,552	269,623	(2,929)
OTHER FINANCING SOURCES (USES)				
Transfers out	(262,223)	(262,223)	(222,026)	40,197
TOTAL OTHER FINANCING SOURCES (USES)	(262,223)	(262,223)	(222,026)	40,197
NET CHANGE IN FUND BALANCES	10,329	10,329	47,597	37,268
Fund balances – beginning of year	149,408	149,408	149,408	-
FUND BALANCES – END OF YEAR	\$ 159,737	\$ 159,737	\$ 197,005	\$ 37,268

(1) Budget prepared in accordance with GAAP.

Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual State Transit Assistance Fund

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	BUDGETED AMOUNTS ⁽¹⁾		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Sales taxes	\$ 60,000	\$ 60,000	\$ 150,940	\$ 90,940
Investment income	-	-	695	695
TOTAL REVENUES	60,000	60,000	151,635	91,635
EXPENDITURES				
Current:				
Transportation subsidies	3,516	3,516	6,803	(3,287)
TOTAL EXPENDITURES	3,516	3,516	6,803	(3,287)
EXCESS OF REVENUES OVER EXPENDITURES	56,484	56,484	144,832	88,348
OTHER FINANCING SOURCES (USES)				
Transfers out	(42,119)	(42,119)	(49,008)	(6,889)
TOTAL OTHER FINANCING SOURCES (USES)	(42,119)	(42,119)	(49,008)	(6,889)
NET CHANGE IN FUND BALANCES	14,365	14,365	95,824	81,459
Fund balances – beginning of year	9,605	9,605	9,605	-
FUND BALANCES – END OF YEAR	\$ 23,970	\$ 23,970	\$ 105,429	\$ 81,459



(1) Budget prepared in accordance with GAAP.



**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2018 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 12,836	\$ 48,428	\$ 61,264
Investments	10,492	69,442	79,934
Receivables:			
Accounts	-	874	874
Interest	63	42	105
Intergovernmental	698	24,729	25,427
Sales tax	-	10,585	10,585
TOTAL ASSETS	\$ 24,089	\$ 154,100	\$ 178,189
LIABILITIES			
Accounts payable and accrued liabilities	\$ 513	\$ -	\$ 513
Due to other funds	-	1,786	1,786
Unearned revenues	-	28,985	28,985
TOTAL LIABILITIES	513	30,711	31,284
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	-	229	229
TOTAL DEFERRED INFLOWS OF RESOURCES	-	229	229
FUND BALANCES			
Restricted	23,576	123,100	146,676
TOTAL FUND BALANCES	23,576	123,100	146,676
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 24,089	\$ 154,100	\$ 178,189

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds**

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Sales taxes	\$ -	\$ 31,756	\$ 31,756
Intergovernmental	-	21,700	21,700
Investment income	329	1,019	1,348
Net decline in fair value of investments	(120)	172	52
Licenses and fines	9,681	-	9,681
TOTAL REVENUES	9,890	54,647	64,537
EXPENDITURES			
Current:			
Administration and other	4,687	(2,804)	1,883
TOTAL EXPENDITURES	4,687	(2,804)	1,883
EXCESS OF REVENUES OVER EXPENDITURES	5,203	57,451	62,654
OTHER FINANCING SOURCES (USES)			
Transfers in	499	-	499
Transfers out	(1,000)	(9,439)	(10,439)
TOTAL OTHER FINANCING SOURCES (USES)	(501)	(9,439)	(9,940)
NET CHANGE IN FUND BALANCES	4,702	48,012	52,714
Fund balances – beginning of year	18,874	75,088	93,962
FUND BALANCES – END OF YEAR	\$ 23,576	\$ 123,100	\$ 146,676

Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual
Service Authority for Freeway Emergencies Fund

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	BUDGETED AMOUNTS ⁽¹⁾		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Investment income	\$ 75	\$ 75	\$ 329	\$ 254
Net decline in fair value of investments	-	-	(120)	(120)
Licenses and fines	7,500	7,500	9,681	2,181
TOTAL REVENUES	7,575	7,575	9,890	2,315
EXPENDITURES				
Current:				
Administration and other	7,935	7,962	4,687	3,275
TOTAL EXPENDITURES	7,935	7,962	4,687	3,275
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(360)	(387)	5,203	5,590
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	499	499
Transfers out	(1,000)	(1,000)	(1,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,000)	(1,000)	(501)	499
NET CHANGE IN FUND BALANCES	(1,360)	(1,387)	4,702	6,089
Fund balances – beginning of year	18,874	18,874	18,874	-
FUND BALANCES – END OF YEAR	\$ 17,514	\$ 17,487	\$ 23,576	\$ 6,089

(1) Budget prepared in accordance with GAAP.

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Other Special Revenue Funds

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	BUDGETED AMOUNTS ⁽¹⁾		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Sales tax	\$ -	\$ -	\$ 31,756	\$ 31,756
Intergovernmental	6	6	21,700	21,694
Investment income	-	-	1,019	1,019
Net decline in fair value of investments	-	-	172	172
TOTAL REVENUES	6	6	54,647	54,641
EXPENDITURES				
Current:				
Administration and other	6	607	(2,804)	(3,411)
TOTAL EXPENDITURES	6	607	(2,804)	(3,411)
EXCESS OF REVENUES OVER EXPENDITURES	-	(601)	57,451	58,052
OTHER FINANCING SOURCES (USES)				
Transfers out	(30,423)	(30,423)	(9,439)	20,984
TOTAL OTHER FINANCING SOURCES (USES)	(30,423)	(30,423)	(9,439)	20,984
NET CHANGE IN FUND BALANCES	(30,423)	(31,024)	48,012	79,036
Fund balances – beginning of year	75,088	75,088	75,088	-
FUND BALANCES – END OF YEAR	\$ 44,665	\$ 44,064	\$ 123,100	\$ 79,036

(1) Budget prepared in accordance with GAAP.

Combining Statement of Fiduciary Net Position

June 30, 2018 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ASSETS			
Cash and cash equivalents	\$ 515	\$ 9,097	\$ 9,612
Investments:			
Bonds	149,073	75,264	224,337
Domestic stocks	233,568	179	233,747
Non-domestic stocks	9,033	-	9,033
Pooled investments	1,112,230	290,415	1,402,645
Receivables:			
Member contributions	1,299	331	1,630
Securities sold	9,818	-	9,818
OPEB Trust Fund	930	-	930
Interest and dividends	1,440	482	1,922
Prepaid items and other assets	40	-	40
Total assets	1,517,946	375,768	1,893,714
LIABILITIES			
Accounts payable and other liabilities	1,626	235	1,861
Payable to Employee Retirement Trust Funds	-	930	930
Securities purchased	21,080	-	21,080
Total liabilities	22,706	1,165	23,871
NET POSITION RESTRICTED FOR PENSIONS AND OPEB			
Held in trust for pension and OPEB benefits	\$ 1,495,240	\$ 374,603	\$ 1,869,843

Note: Receivable/payable between the fiduciary trust funds were eliminated in the Statement of Net Position – Employee Retirement and OPEB Trust Funds on page 40.

Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ADDITIONS			
Contributions:			
Employer	\$ 60,415	\$ 30,671	\$ 91,086
Member	31,755	756	32,511
Total contributions	92,170	31,427	123,597
From investing activities:			
Net appreciation in fair value of investments	112,455	22,477	134,932
Investment income	17,894	7,090	24,984
Investment expense	(5,473)	(662)	(6,135)
Other income	555	-	555
Total investing activities	125,431	28,905	154,336
Total additions	217,601	60,332	277,933
DEDUCTIONS			
Retiree benefits	99,679	24,485	124,164
Administrative expenses	1,603	184	1,787
Total deductions	101,282	24,669	125,951
Net increase	116,319	35,663	151,982
Net position – beginning of year	1,378,921	338,940	1,717,861
NET POSITION – END OF YEAR	\$ 1,495,240	\$ 374,603	\$ 1,869,843

Combining Statement of Fiduciary Net Position — Employee Retirement Trust Funds Fiduciary Funds

June 30, 2018 (Amounts expressed in thousands)

	SMART-TD	TCU	AFSCME	NC	ATU	TOTAL
ASSETS						
Cash and cash equivalents	\$ 225	\$ 49	\$ 19	\$ 43	\$ 179	\$ 515
Investments:						
Bonds	65,257	14,089	5,613	12,356	51,758	149,073
Domestic stocks	102,245	22,075	8,795	19,359	81,094	233,568
Non-domestic stocks	3,954	854	340	749	3,136	9,033
Pooled investments	486,883	105,121	41,880	92,185	386,161	1,112,230
Receivables:						
Member contributions	746	121	-	-	432	1,299
Contribution transfer from other plans	-	-	1,812	799	-	2,611
Securities sold	4,298	927	370	814	3,409	9,818
Interest and dividends	631	136	54	119	500	1,440
Receivable from OPEB Trust Fund		78	130	547	175	930
Prepaid items and other assets	18	4	2	3	13	40
Total assets	664,257	143,454	59,015	126,974	526,857	1,520,557
LIABILITIES						
Contribution transfers to other plans	1,620	586			405	2,611
Accounts payable and other liabilities	662	161	86	161	556	1,626
Securities purchased	9,228	1,992	794	1,747	7,319	21,080
Total liabilities	11,510	2,739	880	1,908	8,280	25,317
NET POSITION						
Restricted for pension benefits	\$ 652,747	\$ 140,715	\$ 58,135	\$ 125,066	\$ 518,577	\$ 1,495,240

Note: Inter-plan receivables/payables among the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 134.

SMART-TD: Sheet Metal, Air, Rail, Transportation, Transportation Division

TCU: Transportation Communication Union Plan

AFSCME: American Federation of State, County Municipal Employee Plan

NC: Non-Contract Employee Plan

ATU: Amalgamated Transportation Union Plan

Combining Statement of Changes in Fiduciary Net Position — Employee Retirement Trust Funds Fiduciary Funds

For the Fiscal Year Ended June 30, 2018 (Amounts expressed in thousands)

	SMART-TD	TCU	AFSCME	NC	ATU	TOTAL
ADDITIONS						
Contributions:						
Employer	\$ 21,467	\$ 6,218	\$ 1,378	\$ 4,195	\$ 27,157	\$ 60,415
Member	18,715	2,881	-	-	10,159	31,755
Transfer between plans	(1,620)	(586)	1,812	799	(405)	-
Total contributions	38,562	8,513	3,190	4,994	36,911	92,170
From investing activities:						
Net appreciation in fair value of investments	49,179	10,403	4,686	9,824	38,363	112,455
Investment income	7,826	1,662	726	1,540	6,140	17,894
Investment expense	(2,393)	(511)	(218)	(467)	(1,884)	(5,473)
Other income	150	256	13	44	92	555
Total investing activities	54,762	11,810	5,207	10,941	42,711	125,431
Total additions	93,324	20,323	8,397	15,935	79,622	217,601
DEDUCTIONS						
Retiree benefits	42,177	6,979	8,528	12,774	29,221	99,679
Administrative expenses	434	280	254	275	360	1,603
Total deductions	42,611	7,259	8,782	13,049	29,581	101,282
Change in net position	50,713	13,064	(385)	2,886	50,041	116,319
Net Position – beginning of year	602,034	127,651	58,520	122,180	468,536	1,378,921
Net position – end of year	\$ 652,747	\$ 140,715	\$ 58,135	\$ 125,066	\$ 518,577	\$ 1,495,240

SMART-TD: Sheet Metal, Air, Rail, Transportation, Transportation Division

TCU: Transportation Communication Union Plan

AFSCME: American Federation of State, County Municipal Employee Plan

NC: Non-Contract Employee Plan

ATU: Amalgamated Transportation Union Plan



Statistical Section

This section of LACMTA's comprehensive annual financial report presents trend information about LACMTA's financial results, major revenue sources, outstanding debt obligations, demographic statistics and operating activities to help the reader understand LACMTA's overall financial condition.

CONTENTS	Page No.
FINANCIAL TRENDS	150 - 157
These schedules contain trend information to help the reader understand how LACMTA's financial performance has changed over time.	
REVENUE CAPACITY	158 - 160
These schedules contain information to help the reader assess LACMTA's local revenue sources: sales taxes, operating assistance and passenger fares.	
DEBT CAPACITY	161 - 165
These schedules present information to help the reader assess the affordability of LACMTA's current outstanding debts and LACMTA's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	166 - 171
These schedules contain demographic and economic indicators to assist the reader in understanding the environment within which LACMTA's financial activities take place.	
OPERATING INFORMATION	172 - 178
These schedules contain service and facilities statistics to help the reader understand how LACMTA's financial report relates to its services and operating activities and how it compares to the transit industry.	



**Net Position by Component
Last Ten Fiscal Years**

Accrual Basis of Accounting (Amounts expressed in thousands)

Table 1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 772,794	\$ 772,794	\$ 772,794	\$ 772,794	\$ 772,794	\$ 772,794	\$ 769,942	\$ 769,834	\$ 768,977	\$ 749,457
Restricted for:										
Proposition A ordinance projects	114,615	80,536	69,049	161,158	191,111	342,565	311,284	86,647	134,674	127,125
Proposition C ordinance projects	478,474	116,013	116,912	134,652	40,057	39,419	278,776	266,232	214,721	178,945
Measure R ordinance projects	-	383,665	611,464	915,357	1,189,279	664,954	255,516	369,215	362,645	414,565
Measure M ordinance projects	-	-	-	-	-	-	-	-	-	429,568
PTMISEA projects	118,614	56,696	-	32,182	158,943	108,904	82,385	13,907	11	-
TDA and STA projects	171,491	259,618	264,366	324,010	337,582	203,463	107,393	165,757	159,013	302,434
Other nonmajor governmental projects	384,875	348,327	49,968	74,742	79,759	82,725	68,121	111,773	93,951	146,676
Unrestricted	100,240	234,401	499,084	486,403	514,563	640,325	656,388	237,268	472,265	356,105
Total governmental activities net position	2,141,103	2,252,050	2,383,637	2,901,298	3,284,088	2,855,149	2,529,805	2,020,633	2,206,257	2,704,875
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	3,900,614	4,366,480	4,497,567	4,561,995	4,908,034	5,587,514	7,313,244	7,762,367	7,797,783	8,328,321
Restricted for debt service	419,282	446,878	440,892	431,009	469,027	504,782	418,006	420,543	459,949	536,936
Unrestricted	212,781	(1,909)	(130,868)	(30,488)	(318,227)	(702,106)	(1,019,466)	(943,051)	(1,031,275)	(1,807,024)
Total business-type activities net position	4,532,677	4,811,449	4,807,591	4,962,516	5,058,834	5,390,190	6,711,784	7,239,859	7,226,457	7,058,233
PRIMARY GOVERNMENT										
Net investment in capital assets	4,673,408	5,139,274	5,270,361	5,334,789	5,680,828	6,360,308	8,083,186	8,532,201	8,566,760	9,077,778
Restricted for debt service	419,282	446,878	440,892	431,009	469,027	504,782	418,006	420,543	459,949	536,936
Restricted for other purpose:										
Proposition A ordinance projects	114,615	80,536	69,049	161,158	191,111	342,565	311,284	86,647	134,674	127,125
Proposition C ordinance projects	478,474	116,013	116,912	134,652	40,057	39,419	278,776	266,232	214,721	178,945
Measure R ordinance projects	-	383,665	611,464	915,357	1,189,279	664,954	255,516	369,215	362,645	414,565
Measure M ordinance projects	-	-	-	-	-	-	-	-	-	429,568
PTMISEA projects	118,614	56,696	-	32,182	158,943	108,904	82,385	13,907	11	-
TDA and STA projects	171,491	259,618	264,366	324,010	337,582	203,463	107,393	165,757	159,013	302,434
Other nonmajor governmental projects	384,875	348,327	49,968	74,742	79,759	82,725	68,121	111,773	93,951	146,676
Unrestricted	313,021	232,492	368,216	455,915	196,336	(61,781)	(363,078)	(705,783)	(559,010)	(1,450,919)
Total primary government net position	\$ 6,673,780	\$ 7,063,499	\$ 7,191,228	\$ 7,863,814	\$ 8,342,922	\$ 8,245,339	\$ 9,241,589	\$ 9,260,492	\$ 9,432,714	\$ 9,763,108

**Changes in Net Position
Last Ten Fiscal Years**

Accrual Basis of Accounting (Amounts expressed in thousands)

Table 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSES										
Governmental activities:										
Transit operators programs	\$ 282,305	\$ 201,354	\$ 238,624	\$ 220,782	\$ 239,718	\$ 346,326	\$ 304,916	\$ 357,346	\$ 351,667	\$ 345,473
Local cities programs	300,113	370,177	401,957	442,409	431,470	541,736	549,302	548,101	543,972	749,990
Congestion relief operations	-	-	-	-	-	44,792	43,724	42,279	50,034	41,407
Highway projects	-	247,715	108,511	234,690	312,807	521,755	196,158	594,069	181,211	220,443
Regional multimodal capital programs	188,316	102,084	80,221	96,174	146,528	29,080	42,844	52,363	114,253	104,298
Paratransit programs	14,208	25,283	16,456	10,227	13,097	92,745	83,602	105,042	103,560	114,027
Other transportation subsidies	79,910	88,180	56,504	63,875	130,964	62,861	72,088	64,237	93,316	118,119
Debt service interest	1,444	1,249	1,205	1,161	1,114	1,064	1,011	954	686	-
General government	200,523	218,380	257,433	167,134	218,637	81,380	96,909	109,029	134,569	142,462
Total governmental activities	1,066,819	1,254,422	1,160,911	1,236,452	1,494,335	1,721,739	1,390,554	1,873,420	1,573,268	1,836,219
Business-type activities:										
Transit operations	1,807,037	1,808,257	1,910,466	1,835,735	1,916,041	1,940,775	1,935,989	2,085,787	2,311,422	2,363,719
Union Station operations ⁽¹⁾	-	-	1,052	4,167	6,586	7,498	9,729	9,172	9,664	8,400
Toll operations ⁽²⁾	-	-	-	-	10,102	12,803	20,757	24,815	27,073	31,905
Total business-type activities expenses	1,807,037	1,808,257	1,911,518	1,839,902	1,932,729	1,961,076	1,966,475	2,119,774	2,348,159	2,404,024
Total expenses	2,873,856	3,062,679	3,072,429	3,076,354	3,427,064	3,682,815	3,357,029	3,993,194	3,921,427	4,240,243
PROGRAM REVENUES										
Governmental activities:										
Charges for services	10,101	15,713	16,302	15,740	23,770	5,899	23,704	9,009	19,427	18,269
Operating grants and contributions	162,387	267,306	169,261	401,651	502,374	410,545	345,206	44,805	130,836	83,838
Total governmental activities program	172,488	283,019	185,563	417,391	526,144	416,444	368,910	53,814	150,263	102,107
Business-type activities:										
Charges for services	357,895	342,087	375,168	375,917	382,003	400,832	439,028	443,856	423,143	404,415
Operating grants and contributions	214,285	239,835	261,068	289,517	272,951	241,808	263,838	200,193	252,344	327,664
Capital grants and contributions	424,732	411,392	182,378	207,509	135,653	298,199	486,793	457,106	340,376	664,403
Total business-type activities program	996,912	993,314	818,614	872,943	790,607	940,839	1,189,659	1,101,155	1,015,863	1,396,482
Total primary government program revenues	1,169,400	1,276,333	1,004,177	1,290,334	1,316,751	1,357,283	1,558,569	1,154,969	1,166,126	1,498,589
Net (expense) / revenue:										
Governmental activities	(894,331)	(971,403)	(975,348)	(819,061)	(968,191)	(1,305,295)	(1,021,644)	(1,819,606)	(1,423,005)	(1,734,112)
Business-type activities	(810,125)	(814,943)	(1,092,904)	(966,959)	(1,142,122)	(1,020,237)	(769,293)	(1,018,619)	(1,332,296)	(1,007,542)
Total net expense	(1,704,456)	(1,786,346)	(2,068,252)	(1,786,020)	(2,110,313)	(2,325,532)	(1,790,937)	(2,838,225)	(2,755,301)	(2,741,654)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Sales tax	1,596,152	2,085,370	2,104,072	2,386,439	2,519,720	2,778,676	2,717,320	2,753,686	2,834,411	3,931,132
Investment income ⁽³⁾	55,284	39,268	24,628	17,829	4,822	14,719	11,498	24,638	10,580	15,642
Miscellaneous ⁽⁴⁾	41,063	26,979	49,218	32,205	42,203	22,244	30,781	59,786	60,664	53,853
Transfers	(1,005,062)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)	(1,767,897)
Total government activities	687,437	1,082,350	1,106,935	1,336,722	1,350,981	876,356	696,300	1,310,434	1,608,629	2,232,730
Business-type activities:										
Investment income ⁽³⁾	7,793	8,102	13,191	15,480	17,977	13,261	17,295	8,919	12,032	14,442
Miscellaneous ⁽⁴⁾	20,231	16,346	4,872	6,653	4,699	11,707	10,293	10,099	9,836	13,024
Transfers	1,005,062	1,069,267	1,070,983	1,099,751	1,215,764	1,939,283	2,063,299	1,527,676	1,297,026	1,767,897
Total business-type activities	1,033,086	1,093,715	1,089,046	1,121,884	1,238,440	1,964,251	2,090,887	1,546,694	1,318,894	1,795,363
Total primary government	1,720,523	2,176,065	2,195,981	2,458,606	2,589,421	2,840,607	2,787,187	2,857,128	2,927,523	4,028,093
CHANGE IN NET POSITION										
Governmental activities	(206,894)	110,947	131,587	517,661	382,790	(428,939)	(325,344)	(509,172)	185,624	498,618
Business-type activities	222,961	278,772	(3,858)	154,925	96,318	944,014	1,321,594	528,075	(13,402)	787,821
Total primary government	\$ 16,067	\$ 389,719	\$ 127,729	\$ 672,586	\$ 479,108	\$ 515,075	\$ 996,250	\$ 18,903	\$ 172,222	\$ 1,286,439

Source: Comprehensive Annual Financial Report.

(1) LACMTA purchased Union Station in April 2011.

(2) Metro ExpressLanes started operations in November 2012.

(3) Includes net appreciation (decline) in fair value of investments.

(4) Includes gain(loss) on sale of capital assets.

**Fund Balances of Governmental Funds
Last Ten Fiscal Years**

Modified accrual basis of accounting (Amounts expressed in thousands)

Table 3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL FUND										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9
Reserved	1,780	1,843	-	-	-	-	-	-	-	-
Unreserved	158,847	178,611	-	-	-	-	-	-	-	-
Restricted ⁽¹⁾	-	-	7,827	9,023	6,588	4,045	15,753	35,704	49,417	25,750
Committed ⁽¹⁾	-	-	46,564	3,492	8,877	8,779	10,994	13,862	11,891	14,250
Assigned ⁽¹⁾	-	-	986	6,818	11,403	10,624	16,162	23,653	22,180	35,168
Unassigned ⁽¹⁾	-	-	434,371	456,263	448,155	489,143	512,492	450,594	366,051	279,381
Total General Fund	160,627	180,454	489,748	475,596	475,023	512,591	555,401	523,813	449,539	354,558
ALL OTHER GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS										
Reserved	825,140	1,201,151	-	-	-	-	-	-	-	-
Unreserved:										
Proposition A Fund	(18,093)	23,741	-	-	-	-	-	-	-	-
Proposition C Fund	(44,054)	(871,854)	-	-	-	-	-	-	-	-
Measure R Fund	-	349,183	-	-	-	-	-	-	-	-
PTMISEA Fund	118,614	56,696	-	-	-	-	-	-	-	-
TCRP Fund	-	-	-	-	-	-	-	-	-	-
Transportation Development Act Fund	(8,529)	(1,107)	-	-	-	-	-	-	-	-
State Transit Act Fund	33,613	160,797	-	-	-	-	-	-	-	-
Nonmajor Governmental Fund	360,172	319,897	-	-	-	-	-	-	-	-
Restricted ⁽¹⁾:										
Proposition A Fund	-	-	69,049	161,158	191,111	342,565	311,284	86,647	134,674	127,125
Proposition C Fund	-	-	116,912	134,652	40,057	39,419	278,776	266,232	214,721	178,945
Measure R Fund	-	-	611,464	915,357	1,189,279	664,954	255,516	369,215	362,645	414,565
Measure M Fund	-	-	-	-	-	-	-	-	-	429,568
PTMISEA Fund	-	-	-	32,182	158,943	108,904	82,385	13,907	11	-
Transportation Development Act Fund	-	-	214,652	297,064	324,387	199,743	98,839	165,757	149,408	197,005
State Transit Act Fund	-	-	49,714	26,946	13,195	3,720	8,554	-	9,605	105,429
Nonmajor Governmental Fund	-	-	49,968	74,742	79,759	82,725	68,121	111,773	93,951	146,676
Unrestricted:										
State Transit Act Fund	-	-	-	-	-	-	-	(13,094)	-	-
Total all other governmental funds	1,266,863	1,238,504	1,111,759	1,642,101	1,996,731	1,442,030	1,103,475	1,000,437	965,015	1,599,313
Total governmental funds	\$ 1,427,490	\$ 1,418,958	\$ 1,601,507	\$ 2,117,697	\$ 2,471,754	\$ 1,954,621	\$ 1,658,876	\$ 1,524,250	\$ 1,414,554	\$ 1,953,871

Source: Comprehensive Annual Financial Report.

(1) Reclassification of fund balances with the implementation of GASB Statement No. 54-Fund Balance Reporting and Government Fund Type Definitions.

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

Table 4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Sales tax	\$ 1,628,527	\$ 2,085,370	\$ 2,104,072	\$ 2,386,439	\$ 2,519,720	\$ 2,778,676	\$ 2,717,320	\$ 2,753,686	\$ 2,834,411	\$ 3,931,132
Intergovernmental	162,387	151,046	228,469	413,262	484,194	315,337	374,350	120,428	155,452	105,727
Investment income ⁽¹⁾	55,284	39,268	24,628	16,812	5,025	15,533	11,498	24,638	10,580	15,642
Lease and rental	10,101	15,713	16,206	15,740	15,509	14,162	23,641	9,065	19,427	18,139
Licenses and fines	8,091	7,962	8,023	8,065	8,115	8,366	8,354	8,606	8,842	10,333
Other	30,811	16,820	34,071	13,095	32,658	12,756	24,129	51,180	49,515	62,458
Total revenues	1,895,201	2,316,179	2,415,469	2,853,413	3,065,221	3,144,830	3,159,292	2,967,603	3,078,227	4,143,431
EXPENDITURES										
Current:										
Administration and other	161,504	377,193	295,139	356,480	431,967	405,554	263,376	344,422	616,580	315,941
Transportation subsidies	903,971	875,977	864,528	878,796	1,061,239	1,314,929	1,126,168	1,227,936	1,256,002	1,520,276
Principal, interest and fiscal charges	2,269	2,274	2,270	2,196	2,194	2,197	2,194	2,195	18,315 ⁽²⁾	-
Total expenditures	1,067,744	1,255,444	1,161,937	1,237,472	1,495,400	1,722,680	1,391,738	1,574,553	1,890,897	1,836,217
Excess of revenues over expenditures	827,457	1,060,735	1,253,532	1,615,941	1,569,821	1,422,150	1,767,554	1,393,050	1,187,330	2,307,214
Other financing sources (uses)										
Transfers out, net of transfers in	(1,005,062)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)	(1,767,897)
Total other financing sources (uses)	(1,005,062)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)	(1,767,897)
Net change in fund balances	\$ (177,605)	\$ (8,532)	\$ 182,549	\$ 516,190	\$ 354,057	\$ (517,133)	\$ (295,745)	\$ (134,626)	\$ (109,696)	\$ 539,317
Debt service expenditures expressed as a percentage of non-capital expenditures	0.21%	0.18%	0.20%	0.18%	0.15%	0.13%	0.16%	0.14%	0.98%	0.00%

Source: Comprehensive Annual Financial Report.

(1) Includes net appreciation (decline) in fair value of investments.

(2) The significant increase was due to the full settlement of the Grand Central and Redevelopment Housing bonds using proceeds from the settlement of the related notes receivable.

**Governmental Activities — Sales Tax Revenues by Source
Last Ten Fiscal Years**

Modified accrual basis of accounting (Amounts expressed in thousands)

Table 5

FISCAL YEAR	PROP A	PROP C	MEASURE R	MEASURE M	TDA	OTHER	TOTAL
2009	\$ 620,797	\$ 620,866	\$ -	\$ -	\$ 310,406	\$ 76,458	\$ 1,628,527
2010	565,746	565,787	551,480 ⁽²⁾	-	285,270	117,087	2,085,370
2011	601,883	601,932	598,647	-	301,610	- ⁽³⁾	2,104,072
2012	648,692	648,776	645,026	-	326,883	117,062	2,386,439
2013	687,172	687,332	684,862	-	343,806	116,548	2,519,720
2014	778,504 ⁽⁴⁾	778,600 ⁽⁴⁾	714,218 ⁽⁴⁾	-	390,232	117,122	2,778,676
2015	745,655	745,632	745,919	-	373,991	106,123	2,717,320
2016	763,636	763,643	764,968	-	382,753	78,686	2,753,686
2017	789,342	789,269	787,891	-	393,882	74,027	2,834,411
2018	836,529	836,545	836,721	826,969 ⁽¹⁾	411,672	182,696	3,931,132

Source: Comprehensive Annual Financial Report.

(1) Measure M is a voter-approved half-cent sales tax that took effect on July 1, 2017 for the "Los Angeles Improvement Traffic Plan."

(2) Measure R is a voter-approved half-cent sales tax that took effect on July 1, 2009 for Los Angeles County to finance new transportation projects and programs.

(3) No allocation from the State of California due to budget deficit.

(4) The substantial increase was due to one-time accrual of sales tax revenues

PROP A: Proposition A

PROP C: Proposition C

TDA: Transportation Development Act

**Business-type Activities — Transit Operations — Program Revenues by Source
Last Ten Fiscal Years**

Accrual basis of accounting (Amounts expressed in thousands)

Table 6

FISCAL YEAR	PASSENGER FARES	FEDERAL OPERATING GRANTS	OPERATING SUBSIDIES	AUXILIARY TRANS/ROUTE SUBSIDIES	LEASE AND RENTAL ⁽¹⁾	TOLL REVENUES ⁽²⁾	TOTAL
2009	\$ 333,989	\$ 213,478	\$ 629,242	\$ 23,906	\$ -	\$ -	\$ 1,200,615
2010	316,427	238,981	619,221	25,660	-	-	1,200,289
2011	345,973	259,871	554,808	28,000	1,195	-	1,189,847
2012	344,014	287,977	522,998	27,815	4,088	-	1,186,892
2013	340,010	272,199	625,955	24,543	4,459	12,991	1,280,157
2014	339,599	239,888	596,736 ⁽³⁾	20,639	5,929	34,665	1,237,456
2015	351,648	253,422	665,998 ⁽³⁾	21,606	7,691	58,083	1,358,448
2016	340,274	199,956	901,770 ⁽³⁾	22,647	8,134	72,801	1,545,582
2017	319,345	249,188	988,046 ⁽³⁾	23,940	8,588	71,270	1,660,377
2018	300,042	308,469	1,767,897 ⁽³⁾	24,694	9,792	69,887	2,480,781

Source: Comprehensive Annual Financial Report.

(1) LACMTA purchased Union Station property in April 2011.

(2) Metro ExpressLanes commenced revenue operations in November 2012 for I-110 and February 2013 for I-10.

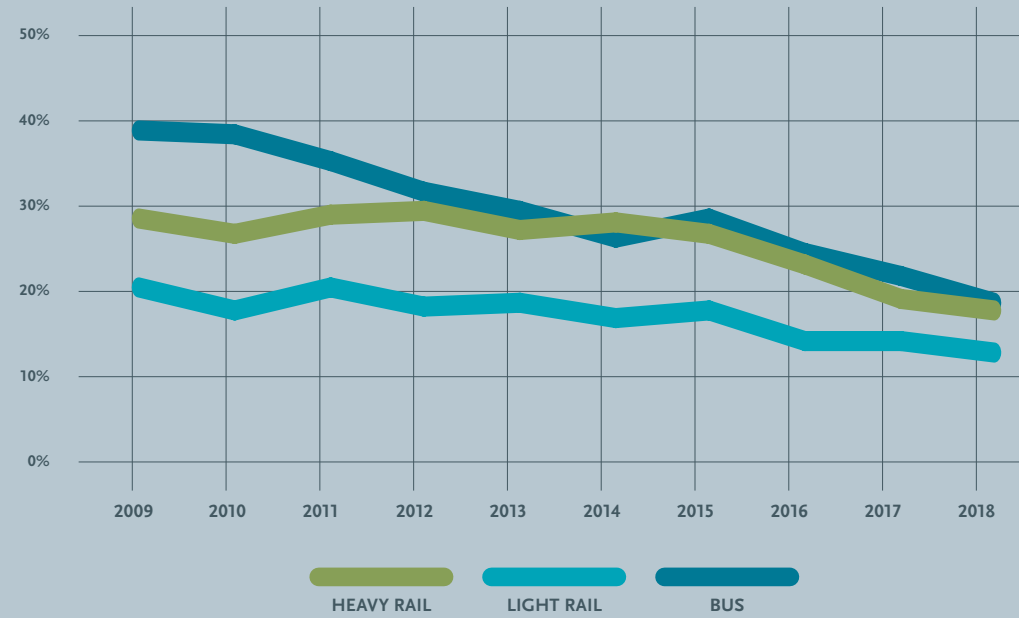
(3) Net of transfers out.

**Business-type Activities – Transit Operations
Farebox Recovery Percentage by Mode
Last Ten Fiscal Years**

Table 7

FISCAL YEAR	HEAVY RAIL	LIGHT RAIL	BUS	ALL MODES
2009	39%	21%	29%	28%
2010	39%	18%	27%	27%
2011	36%	21%	29%	28%
2012	32%	19%	29%	28%
2013	30%	19%	27%	26%
2014	25%	14%	26%	23%
2015	29%	18%	27%	25%
2016	25%	15%	24%	22%
2017	22%	14%	20%	19%
2018	19%	13%	18%	17%

FAREBOX RECOVERY PER-
CENTAGE BY MODE
LAST TEN FISCAL YEARS



Source: National Transit Database Report.

**Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years**

(Amounts expressed in thousands)

Table 8

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE EXPENDITURES	TOTAL GENERAL EXPENDITURES	% OF DEBT SERVICE TO GENERAL EXPENDITURES
2009	\$ 293,606	\$ 169,737	\$ 463,343	\$ 3,168,395	14.62%
2010	262,992	137,187	400,179	3,326,242	12.03%
2011	325,173	148,131	473,304	3,397,117	13.93%
2012	215,522	157,942	373,464	3,292,896	11.34%
2013	180,432	134,724	315,156	3,608,561	8.73%
2014	316,781	136,318	453,099	4,000,992	11.32%
2015	510,144	73,027	583,171	3,860,834	15.10%
2016	182,066	140,575	322,641	3,917,887	8.24%
2017	215,949	134,289	350,238	4,137,376	8.47%
2018	390,200	178,055	568,255	4,739,916	11.99%

Source: Comprehensive Annual Financial Report.

Historical Debt Service Coverage Ratios — Proposition A, Proposition C and Measure R Last Ten Fiscal Years

(Amounts expressed in thousands)

Table 9

SOURCE	FISCAL YEAR	NET SALES TAX REVENUE	LESS LOCAL RETURNS ⁽¹⁾	AMOUNT AVAILABLE FOR DEBT SERVICE ON SALES TAX BONDS	AGGREGATE DEBT SERVICE REQUIREMENT	DEBT SERVICE COVERAGE RATIO
Proposition A	2009	\$ 620,797	\$ 155,199	\$ 465,598	\$ 153,777	3.03
	2010	565,746	141,437	424,309	166,380	2.55
	2011	601,883	150,471	451,412	152,480	2.96
	2012	648,692	162,173	486,519	160,071	3.04
	2013	687,172	171,793	515,379	151,261	3.41
	2014	778,504	194,626	583,878	154,697	3.77
	2015	745,655	186,414	559,241	140,849	3.97
	2016	763,636	190,909	572,727	125,253	4.57
	2017	789,342	197,336	592,006	151,473	3.91
	2018	836,529	209,132	627,397	134,837 ⁽³⁾	4.65
Proposition C	2009	620,866	124,173	496,693	117,792	4.22
	2010	565,787	113,157	452,630	105,483	4.29
	2011	601,932	120,386	481,546	109,340	4.40
	2012	648,776	129,755	519,021	110,907	4.68
	2013	687,332	137,466	549,866	116,127	4.74
	2014	778,600	155,720	622,880	121,326	5.13
	2015	745,632	149,126	596,506	135,092	4.42
	2016	763,643	152,729	610,914	132,161	4.62
	2017	789,269	157,854	631,415	125,320	5.04
	2018	836,545	167,309	669,236	158,380 ⁽⁴⁾	4.23
Measure R ⁽²⁾	2010	551,480	82,722	468,758	-	-
	2011	598,647	89,797	508,850	25,303	20.11
	2012	645,026	96,754	548,272	53,659	10.22
	2013	684,862	102,729	582,133	53,649	10.85
	2014	714,218	107,133	607,085	53,658	11.31
	2015	745,919	111,888	634,031	53,658	11.82
	2016	764,968	114,745	650,223	53,605	12.13
	2017	787,891	118,184	669,707	76,438	8.76
	2018	836,721	125,508	711,213	92,759 ⁽⁴⁾	7.67

Source: Comprehensive Annual Financial Report.

(1) % Local return of net sales tax revenue - Proposition A 25%, Proposition C 20% and Measure R 15%.

(2) Measure R took effect on July 1, 2009.

(3) The decrease was due to refunding of Prop A 2008 and Prop A 2011 bonds. Principal payment of the new refunding bonds namely, Prop A 2017B and Prop A 2018A, will not start until July 2022 and July 2019, respectively.

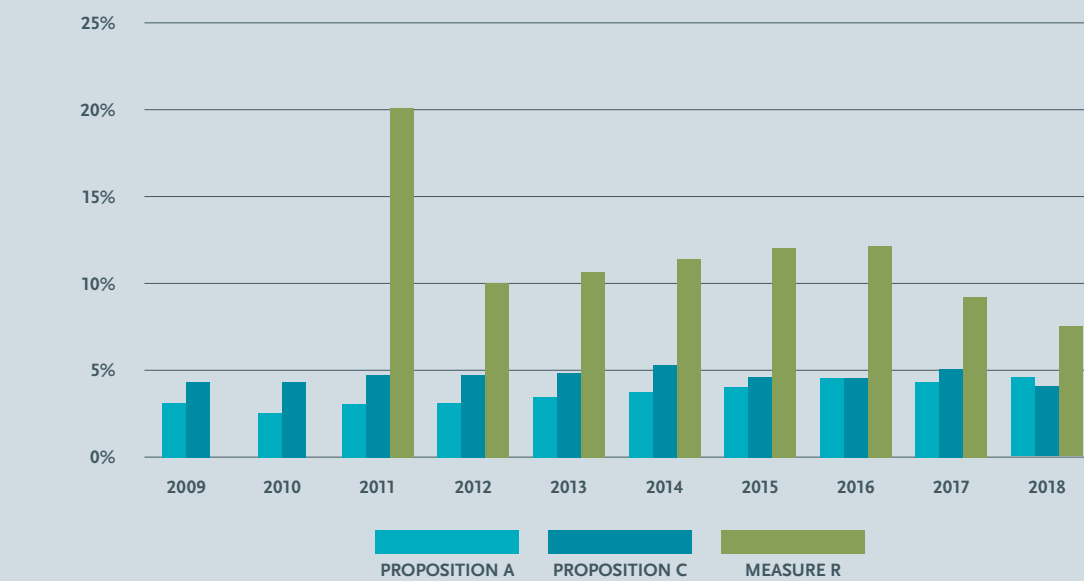
(4) The significant increase was due to principal and interest paid in FY18 on the new bonds issued in the mid part of FY17.

Graphic Presentation of Table 9 Proposition A, Proposition C and Measure R Debt Service Coverage Ratios

(Amounts expressed in thousands)



AMOUNT AVAILABLE FOR DEBT SERVICE ON SALES TAX BONDS



DEBT SERVICE COVERAGE RATIO

**Ratio of Outstanding Debt by Type (Excluding Claims and Compensated Absences)
Last Ten Fiscal Years**

(Amounts expressed in millions except per capita amount)

Table 10

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Redevelopment and housing bonds	\$ 25	\$ 24	\$ 23	\$ 22	\$ 21	\$ 20	\$ 19	\$ 18	\$ -	\$ -
Total Governmental activities	25	24	23	22	21	20	19	18	-	-
Business-type activities:										
Sales tax revenue and refunding bonds	2,873	2,834	3,448	3,361	3,107	3,237	3,037	2,810	3,717	4,497
Sales tax revenue bonds – local allocation	-	-	-	-	-	-	-	-	-	-
Lease/leaseback obligation	871	912	851	785	815	718	468	425	228	238
General revenue bonds	203	185	166	161	155	149	142	113	106	98
Commercial paper and revolving lines of credit	279	144	144	34	148	139	84	385	194	178
Capitalized lease	19	5	2	0.8	-	-	-	-	-	-
Capital grant receipts revenue bonds	132	90	-	-	-	5	4	2	1	-
Notes obligation – TIFIA (CPC)	-	-	-	-	-	-	37	488	567	581
Total Business-type activities	4,377	4,170	4,611	4,342	4,225	4,248	3,772	4,223	4,813	5,592
Total Primary government	\$ 4,402	\$ 4,194	\$ 4,634	\$ 4,364	\$ 4,246	\$ 4,268	\$ 3,791	\$ 4,241	\$ 4,813	\$ 5,592
Percentage of Personal Income ⁽¹⁾	1.07%	0.99%	1.02%	0.90%	0.88%	0.83%	0.70%	0.75%	n/a	n/a
Per Capita ⁽¹⁾	\$ 448.95	\$ 426.26	\$ 467.94	\$ 438.73	\$ 422.24	\$ 421.57	\$ 373.31	\$ 414.52	n/a	n/a

Source: Comprehensive Annual Financial Report.

(1) See the Schedule of Demographic and Economic Statistics for population and personal income data.

n/a: Data not available.

**Demographic and Economic Statistics
Last Ten Calendar Years**

(Amounts and population expressed in thousands)

Table 11

FISCAL YEAR	POPULATION COUNTY OF LOS ANGELES ⁽¹⁾	POPULATION STATE OF CALIFORNIA ⁽¹⁾	TAXABLE SALES COUNTY OF LOS ANGELES ⁽²⁾	PERSONAL INCOME COUNTY OF LOS ANGELES ⁽³⁾	PER CAPITA PERSONAL INCOME COUNTY OF LOS ANGELES ⁽³⁾	UNEMPLOYMENT RATE COUNTY OF LOS ANGELES ⁽⁴⁾
2009	9,805	37,077	\$ 112,744,727	\$ 411,495,352	42	11.6%
2010	9,839	37,339	116,942,334	424,813,015	43	12.5%
2011	9,903	37,676	126,440,737	454,935,533	46	12.2%
2012	9,947	38,038	135,295,582	486,733,508	49	10.9%
2013	10,056	38,367	140,079,708	483,578,594	48	9.8%
2014	10,124	38,725	147,446,927	512,846,779	51	8.2%
2015	10,155	38,907	151,033,781 ⁽⁵⁾	544,324,900	54	6.6%
2016	10,231	39,501	154,208,333	563,907,868	55	5.2%
2017	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a

Sources:

- (1) California Department of Finance.
- (2) State Board of Equalization.
- (3) U.S. Department of Commerce, Bureau of Economic Analysis.

Personal Income includes net earnings by place of residence; dividends, interest and rent; and personal current transfer receipts received by the residence of Los Angeles.

Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2015 reflect county population estimates available as of March 2016.

Note: All dollar estimates are not adjusted for inflation. Last updated: November 17, 2017 - new estimates for 2016; revised estimates for 2014-2015.

- (4) California Employment Development Labor Market Information Division, not seasonally adjusted.

- (5) Updated based on 2015 publication (State Board of Equalization).

n/a: Data not available.



**Ten Largest Employers in Los Angeles County
Last Ten Fiscal Years**

(Not in thousands)

Table 12

MAJOR EMPLOYERS	2014 ⁽²⁾			2016 ⁽²⁾			2018 ⁽²⁾		
	NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT
County of Los Angeles	96,500	1	2.10%	107,500	1	2.25%	108,500	1	2.27%
Los Angeles Unified School District	59,600	2	1.30%	90,800	2	1.90%	90,800	2	1.90%
City of Los Angeles (including DWP) ⁽¹⁾	46,900	3	1.02%	49,500	3	1.04%	61,900	3	1.29%
University of California, Los Angeles	44,000	4	0.96%	46,200	4	0.97%	63,500	4	1.33%
Federal Government (Non-Defense Dept.) ⁽¹⁾	43,400	5	0.94%	45,000	5	0.94%	43,900	5	0.92%
Kaiser Permanente	36,000	6	0.78%	36,900	6	0.77%	36,400	6	0.76%
State of California (non-education)	29,200	7	0.64%	29,900	7	0.63%	30,000	7	0.63%
University of Southern California	-	-	-	18,900	8	0.40%	20,100	8	0.42%
Northrop Grumman Corp	17,000	8	0.37%	16,600	9	0.35%	16,600	9	0.35%
Target Corp	15,000	9	0.33%	15,000	10	0.31%	15,000	10	0.31%
Providence Health and Services	15,000	10	0.33%	-	-	-	-	-	-
Total ten largest employers	402,600		8.77%	456,300		9.56%	485,700		10.16%
All other employers	4,190,400		91.23%	4,322,500		90.44%	4,395,400		89.84%
Total Employment in LA County⁽³⁾	4,593,000		100%	4,778,800		100.00%	4,882,100		100.00%

(1) Includes U.S. Postal Service.

Sources:

(2) Los Angeles Almanac research.

(3) California Employment Development Dept, Labor Market Information Division.

Note: Information for 2008, 2009, 2010, 2012, 2013, 2015, 2017, and 2018 are not available.

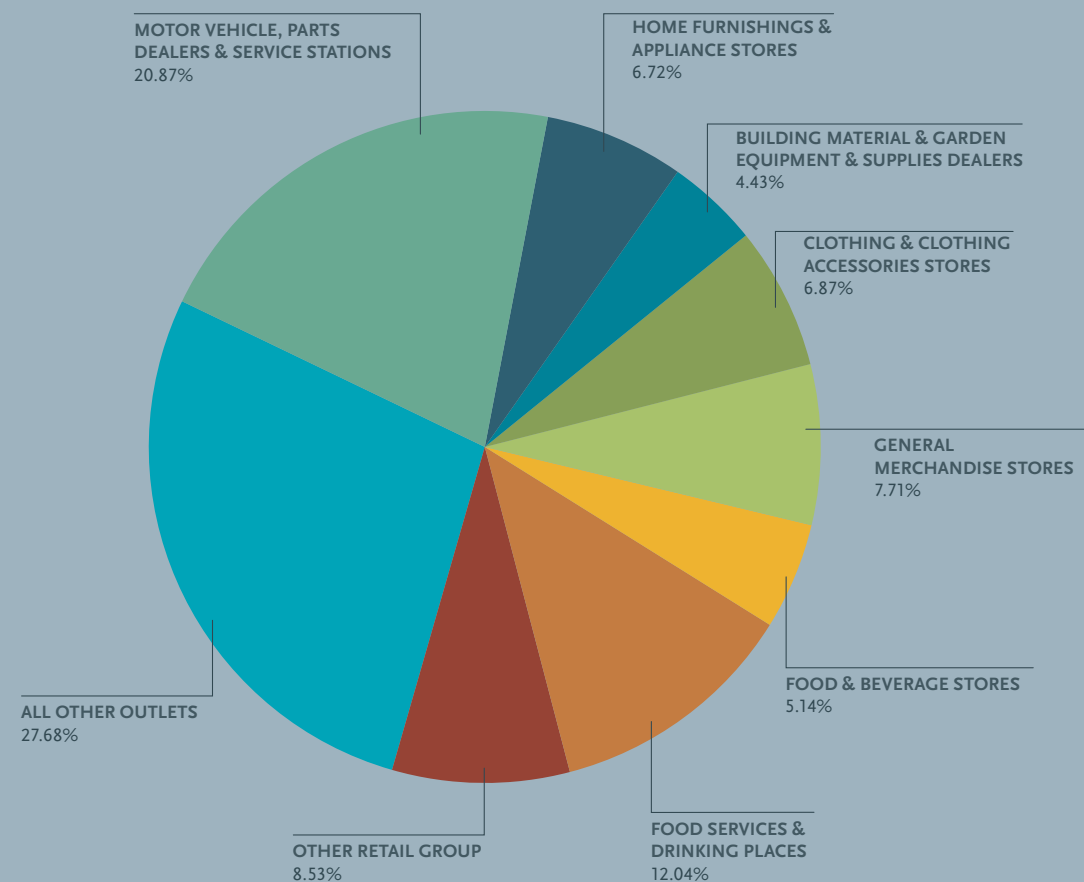
Los Angeles County Taxable Transactions by Type of Business Last Ten Fiscal Years

(Amounts expressed in millions)

Table 13

TYPE OF BUSINESS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Motor vehicle, parts dealers and service stations	\$ 20,431	\$ 22,298	\$ 26,081	\$ 28,517	\$ 29,361	\$ 29,830	\$ 29,526	\$ 28,640	\$ 7,150	n/a
Home furnishings and appliance stores	5,465	5,612	5,738	6,013	6,145	6,775	7,833	7,842	1,864	n/a
Building material and garden equipment and supplies dealers	5,755	6,130	6,307	6,511	6,558	6,971	7,403	7,688	1,837	n/a
Food and beverage stores	5,411	5,405	5,591	5,825	6,052	6,280	6,689	6,696	1,649	n/a
Clothing and clothing accessories stores	7,146	7,608	8,357	9,167	9,927	10,561	10,974	11,414	2,513	n/a
General merchandise stores	10,059	10,369	10,866	11,158	11,464	11,557	10,913	10,905	2,670	n/a
Food services and drinking places	13,877	14,291	15,287	16,512	17,482	18,964	20,606	22,002	5,557	n/a
Other retail group	10,301	10,462	11,024	11,616	12,653	13,250	14,202	14,808	3,529	n/a
All other outlets	34,301	34,767	37,189	39,977	40,439	43,257	42,886	44,211	10,665	n/a
Total	\$ 112,746	\$ 116,942	\$ 126,440	\$ 135,296	\$ 140,081	\$ 147,445	\$ 151,032	\$ 154,206	\$ 37,434	n/a

TAXABLE TRANSACTIONS BY BUSINESS TYPE



Source: California State Board of Equalization, Table 3 Taxable Sales in California Counties by Type of Business.

n/a: Data not available.

**Business-type Activities — Transit Operations — Operating Indicators by Mode
Last Ten Fiscal Years**

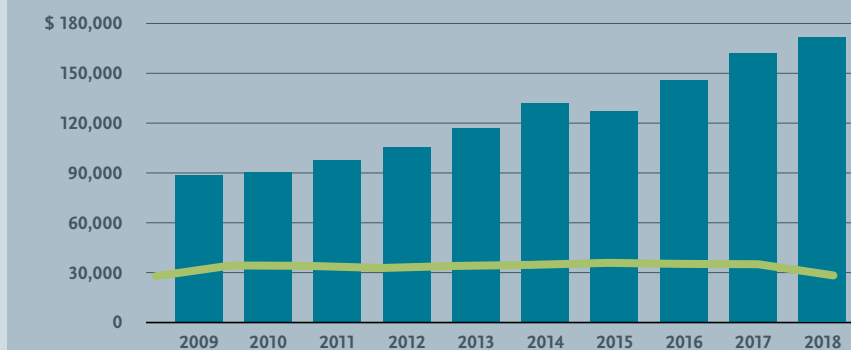
(Amounts expressed in thousands except Buses, Rail Cars and Passenger Stations)

Table 14

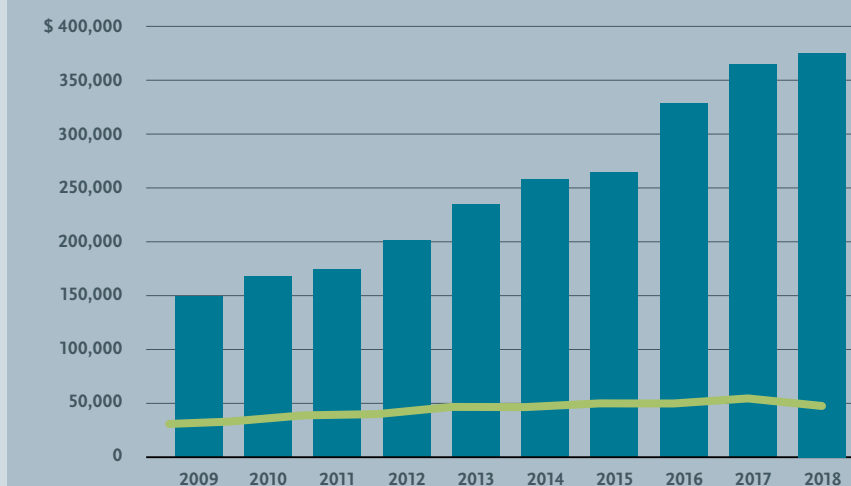
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PASSENGER FARES:										
Heavy Rail	\$ 29,402	\$ 34,983	\$ 34,789	\$ 33,665	\$ 34,753	\$ 35,300	\$ 36,338	\$ 35,789	\$ 35,622	\$ 32,305
Light Rail	28,682	30,725	36,627	37,778	44,565	44,412	47,902	47,807	52,570	49,116
Bus ⁽¹⁾	275,906	250,719	274,557	272,571	260,692	277,162	267,408	256,678	231,153	218,621
OPERATING EXPENSES: (excluding depreciation)										
Heavy Rail	\$ 88,793	\$ 90,320	\$ 97,631	\$ 105,620	\$ 117,006	\$ 132,142	\$ 127,153	\$ 145,450	\$ 161,559	\$ 171,688
Light Rail	150,108	167,915	174,704	201,416	234,856	257,979	265,702	328,351	366,355	375,017
Bus ⁽¹⁾	939,248	945,990	956,784	924,512	956,306	980,176	994,171	1,087,236	1,199,762	1,216,614
PASSENGER MILES TRAVELED:										
Heavy Rail	227,657	231,936	226,974	231,684	237,760	254,440	236,023	224,277	228,179	210,105
Light Rail	327,341	333,334	337,518	366,233	408,032	412,776	386,901	427,260	495,532	495,012
Bus ⁽¹⁾	1,517,647	1,486,802	1,492,820	1,519,263	1,496,480	1,494,524	1,444,741	1,337,680	1,196,313	1,158,789
VEHICLE/PASSENGER CAR REVENUE MILES:										
Heavy Rail	6,078	5,885	5,908	6,156	6,865	7,067	6,977	6,884	7,010	6,976
Light Rail	9,051	9,646	10,155	11,153	13,239	13,863	13,702	13,746	16,699	17,999
Bus ⁽¹⁾	88,535	87,128	81,489	76,390	75,465	75,664	75,207	76,159	74,129	73,176
VEHICLE/PASSENGER CAR REVENUE HOURS:										
Heavy Rail	269	257	259	269	302	320	319	316	321	318
Light Rail	385	429	458	519	654	685	680	663	789	866
Bus ⁽¹⁾	7,514	7,432	7,084	6,804	6,810	6,946	6,972	7,067	6,935	6,904
BUSES/RAIL CARS:										
Heavy Rail	104	104	104	104	104	104	104	104	104	104
Light Rail	145	158	167	169	171	171	171	196	246	300
Bus ⁽¹⁾	2,460	2,727	2,405	2,429	2,453	2,420	2,457	2,438	2,439	2,402
PASSENGER STATIONS:										
Heavy Rail	16	16	16	16	16	16	16	16	16	16
Light Rail	49	53	53	66	66	66	66	79	79	79
Bus ⁽¹⁾	30	30	36	37	49	49	49	56	58	58

**PASSENGER FARES AND OPERATING EXPENSES BY MODE
(Amounts expressed in thousands)**

HEAVY RAIL



LIGHT RAIL



BUS



Source: National Transit Database Report.

(1) Include Purchase Transportation and Orange Line.

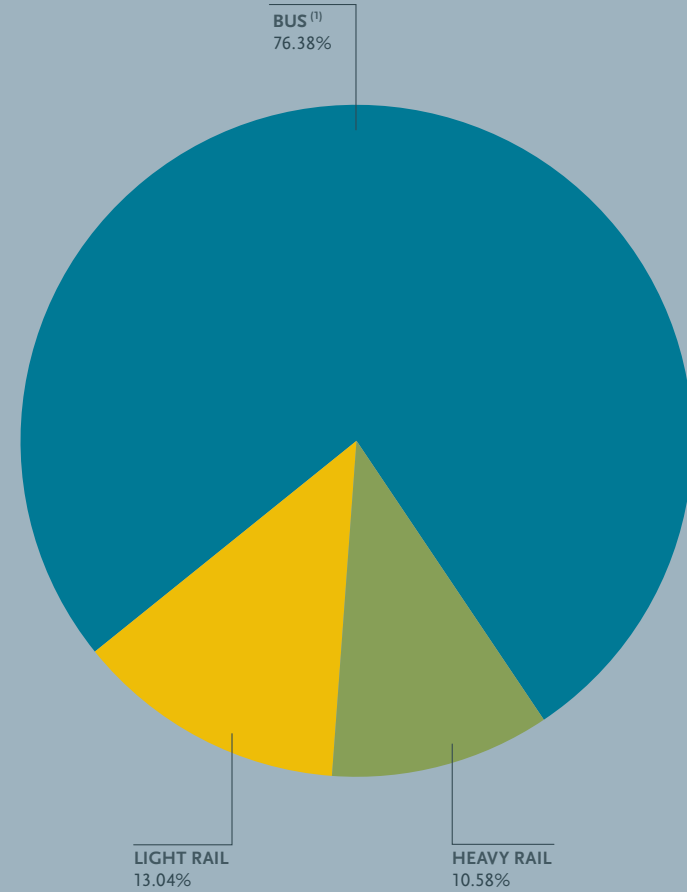
**Business-type Activities — Transit Operations — Passenger Boardings by Mode
Last Ten Fiscal Years**

(Boardings expressed in thousands)

Table 15

FISCAL YEAR	HEAVY RAIL	LIGHT RAIL	BUS ⁽¹⁾	TOTAL
2009	46,891	46,028	386,029	478,948
2010	47,906	46,409	365,975	460,290
2011	46,454	49,252	357,301	453,007
2012	47,736	53,781	360,003	461,520
2013	49,516	63,652	359,504	472,672
2014	50,365	63,705	345,055	459,125
2015	47,721	62,775	342,980	453,476
2016	46,003	62,085	320,870	428,958
2017	45,632	67,764	289,999	403,395
2018	43,752	66,387	280,794	390,933

PASSENGER BOARDINGS
FROM 2009 – 2018



Source: National Transit Database Report.

(1) Includes Purchased Transportation and Orange Line.

**Business-type Activities — Transit Operations — Operating Expenses by Function (Bus and Rail)
Last Ten Fiscal Years**

(Amounts expressed in thousands)

Table 16

FISCAL YEAR	OPERATIONS	VEHICLE MAINTENANCE	NON-VEHICLE MAINTENANCE	GENERAL ADMIN	DEPRECIATION	TOTAL
2009	\$ 654,760	\$ 248,215	\$ 91,010	\$ 184,164	\$ 455,575	\$ 1,633,724
2010	694,967	259,109	90,749	173,831	432,856	1,651,512
2011	674,215	259,813	95,630	210,793	512,776	1,753,227
2012	680,907	276,187	109,919	178,797	436,820	1,682,630
2013	678,111	276,009	111,725	258,347	465,787	1,789,979
2014	671,358	283,275	116,877	281,226	438,235	1,790,971
2015	732,694	291,972	114,359	265,746	490,590	1,895,361
2016	823,416 ⁽¹⁾	320,398 ⁽¹⁾	99,128 ⁽¹⁾	331,476 ⁽¹⁾	482,908	2,057,326
2017	888,989	339,290	119,431	395,589	577,633	2,320,932
2018	912,440	378,336	113,673	373,639	599,439	2,377,527

Source: National Transit Database Report.

(1) Updated

**Full-Time Equivalent Employees by Function
Last Ten Fiscal Years**

(Not in thousands)

Table 17

FUNCTION	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Metro Operations	7,834	7,678	7,324	7,344	7,477	7,571	7,585	7,859	7,807	7,891
Countywide Planning and Development	119	124	84	103	98	101	156	161	163	162
Construction Project Management	93	118	128	171	157	180	193	205	254	293
Communications	221	228	210	196	199	194	271	278	285	314
Support Services	792	831	713	722	757	765	612	690	697	699
Chief Executive Office	73	179	175	209	285	314	428	482	532	571
Board of Directors	45	43	37	38	38	37	36	39	38	38
Total	9,177	9,201	8,671	8,783	9,011	9,162	9,281	9,714	9,776	9,968

Source: Adopted Budget.

**Business-type Activities — Transit Operations — Revenues and Operating Assistance
Comparison to Transit Industry Trend — Percent to Total**

Last Ten Fiscal Years

Table 18

FISCAL YEAR	OPERATIONS			OPERATING ASSISTANCE				TOTAL
	PASSENGER FARES	OTHER	SUBTOTAL	FEDERAL	STATE	LOCAL	SUBTOTAL	
Transportation Industry ⁽¹⁾								
2009	32%	6%	38%	8%	25%	29%	62%	100%
2010	32%	6%	38%	9%	25%	28%	62%	100%
2011	33%	5%	38%	10%	24%	28%	62%	100%
2012	32%	5%	37%	9%	26%	28%	63%	100%
2013	32%	4%	36%	9%	26%	29%	64%	100%
2014	32%	4%	36%	9%	25%	30%	64%	100%
2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA ⁽²⁾								
2009	25%	3%	28%	16%	3%	53%	72%	100%
2010	24%	3%	27%	17%	4%	52%	73%	100%
2011	25%	3%	28%	18%	17%	37%	72%	100%
2012	25%	2%	27%	20%	10%	43%	73%	100%
2013	24%	3%	27%	18%	7%	48%	73%	100%
2014	23%	4%	27%	16%	7%	50%	73%	100%
2015	23%	6%	29%	16%	6%	49%	71%	100%
2016	21%	7%	28%	12%	6%	54%	72%	100%
2017	18%	6%	24%	13%	3%	60%	76%	100%
2018	16%	2%	18%	16%	11%	55%	82%	100%

Sources:
(1) APTA 2017 Public Transportation Fact Book. n/a: Data not available.

(2) National Transit Database Report.

**Business-type Activities — Transit Operations — Operating Expenses by Function
Comparison to Transit Industry Trend — Percent to Total
Last Ten Fiscal Years**

Table 19

FISCAL YEAR	VEHICLE OPERATIONS	VEHICLE MAINTENANCE	NON-VEHICLE MAINTENANCE	GENERAL ADMINISTRATION	PURCHASED TRANSPORTATION	TOTAL ⁽³⁾
Transportation Industry ⁽¹⁾						
2009	46%	17%	9%	14%	14%	100%
2010	45%	17%	9%	15%	14%	100%
2011	46%	17%	9%	15%	13%	100%
2012	45%	17%	9%	15%	14%	100%
2013	44%	16%	10%	16%	14%	100%
2014	44%	16%	10%	16%	14%	100%
2015	n/a	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a	n/a
2017	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA ⁽²⁾						
2009	53%	20%	8%	15%	4%	100%
2010	54%	21%	7%	14%	4%	100%
2011	52%	20%	8%	16%	4%	100%
2012	52%	22%	9%	13%	4%	100%
2013	49%	20%	8%	19%	4%	100%
2014	49%	21%	9%	18%	3%	100%
2015	50%	20%	8%	18%	4%	100%
2016	50%	20%	6%	20%	4%	100%
2017	50%	19%	7%	21%	3%	100%
2018	49%	21%	6%	20%	4%	100%

Sources:
 (1) APTA 2017 Public Transportation Fact Book. (3) Excludes depreciation.
 (2) National Transit Database Report. n/a: Data not available.



Los Angeles County
Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012-2952



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